

October

SEP 29 1921

1921

# THE NATION'S BUSINESS

*In this  
Number —*

**War—a Disaster Even to the ~~Maker~~ of Munitions!**

By Pierre du Pont

**Can a Full-Grown City Do Without Street Cars?**

By P. H. Gadsden

**The Man Who Gives the Budget the Third Degree**

Congressman Madden

**What We Are Doing to Move American Exports**

By Eugene Meyer, Jr.

**Answering the Chief Argument against a Sales Tax**

By Jules S. Bache

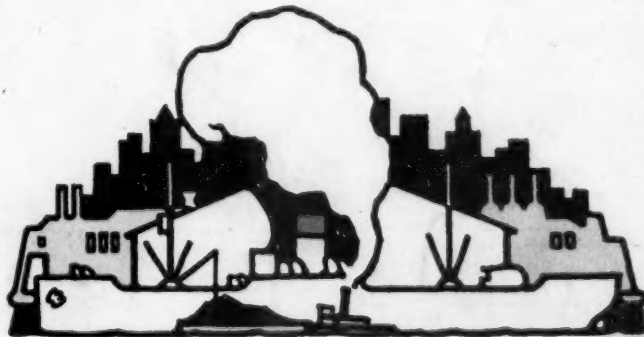
**What an American Saw in a European Free Port**

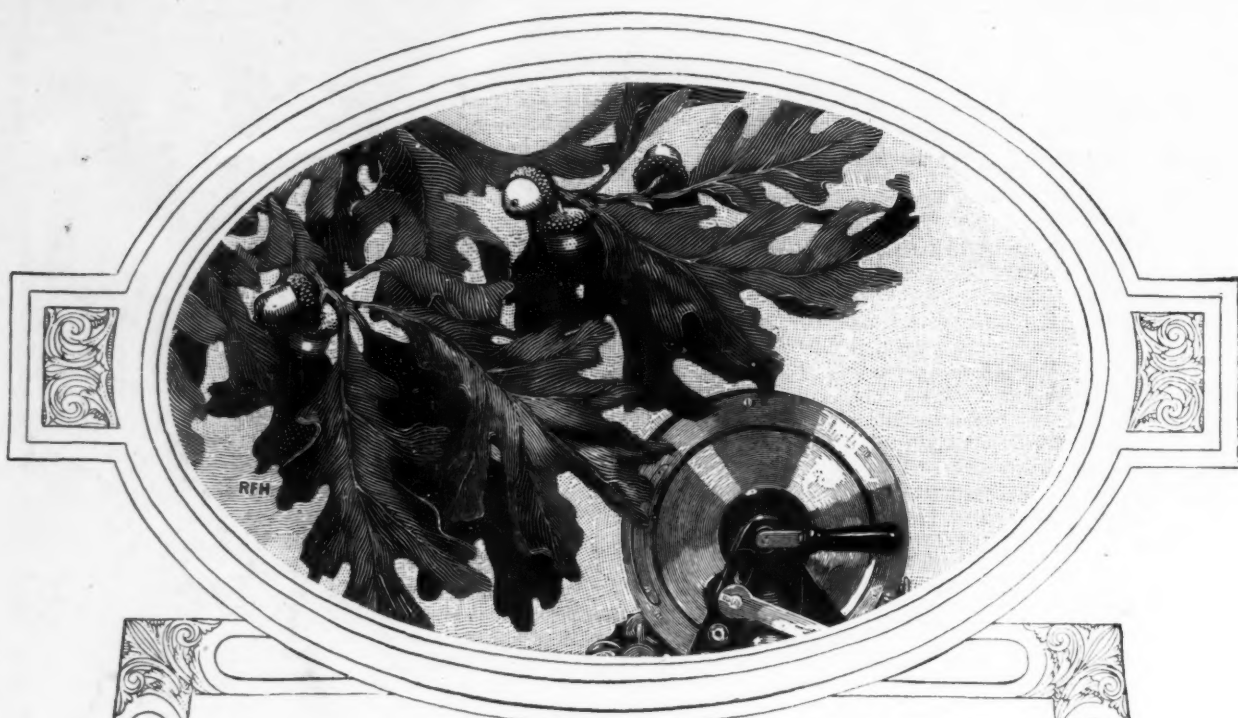
By Chauncey Depew Snow

**Credit—a Governing Factor in the Overseas Market**

By C. H. Bentley

And other articles of vital interest to the American business man





By its fruits you must know it.  
The natural product of the oak  
is perfect acorns, just as the normal product of the  
Mimeograph is *fine printing*. If the Mimeograph  
fails to deliver exact copies of a clear original, some  
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will cut expenses for you now. Send for interesting catalog  
“N-9”—from A. B. Dick Company, Chicago—and New York.





# Unusual Economy

The figures below, furnished by users of Mathews Conveyers, afford a conservative basis for estimating possible savings to your own business.

Obviously, the economies possible vary greatly with the nature of the enterprise. Remember, however, we do not recommend—in fact *you cannot purchase*—Mathews equipment unless we can see an opportunity to increase production for you or to decrease its cost.

## \$27,000 a Year Saved—

"About a year and a half ago we installed 600 feet of Mathews Gravity Conveyor to handle tires in moulds. The tires weigh 300 to 500 lbs. apiece and must be handled hot. Men often quit after the first day. "Mathews Conveyers have eliminated four men per shift, a saving of \$27,000 a year on a 300 working day scale, provided we operated at this capacity each day in the year. In addition they have made possible a very satisfactory increase in production."—J. J. Ihrig, Foreman, Ajax Rubber Co.

## \$12,000 a Year Saved—

"We are handling on the Mathews Gravity Carrier 12,000 barrels a day, and can now handle in a half hour what formerly required an hour and a quarter. Before installing the equipment we used four teams at a yearly cost of \$12,000. We have used this equipment one year without spending one penny for maintenance."—C. M. Ryan, President, Ryan Cooperage Co.

## \$3,600 a Year Saved—

"Formerly our castings were trucked to the elevator, lowered to a floor below, then trucked 170 feet to the shipping room, requiring two men twelve hours a day. Mathews Gravity Conveyers now do the same work. The two truckers have been eliminated entirely—a saving of \$3,600."—J. F. Sords, Factory Mgr., Ryan Foundry Company.

## \$1,300 a Year Saved—

"Practically every package leaving our warehouse contains glassware. In normal times the Mathews system handles 300 baskets per day, or 1,575,000 separate packages a year—and not a single case of breakage yet. Formerly we used hand trucks carrying 4 baskets each. The labor saving amounts to \$1,300 a year. The conveyers have been in use over two years without costing us a cent for repairs."—E. J. Delaney, Office Mgr., Fdk. Stearns & Co.

Without cost or obligation our nearest engineer will make a survey of your plant and work out a special system for you and submit estimate of cost.

*Write today for illustrated catalog  
showing numerous applications*

**MATHEWS GRAVITY CARRIER CO.**

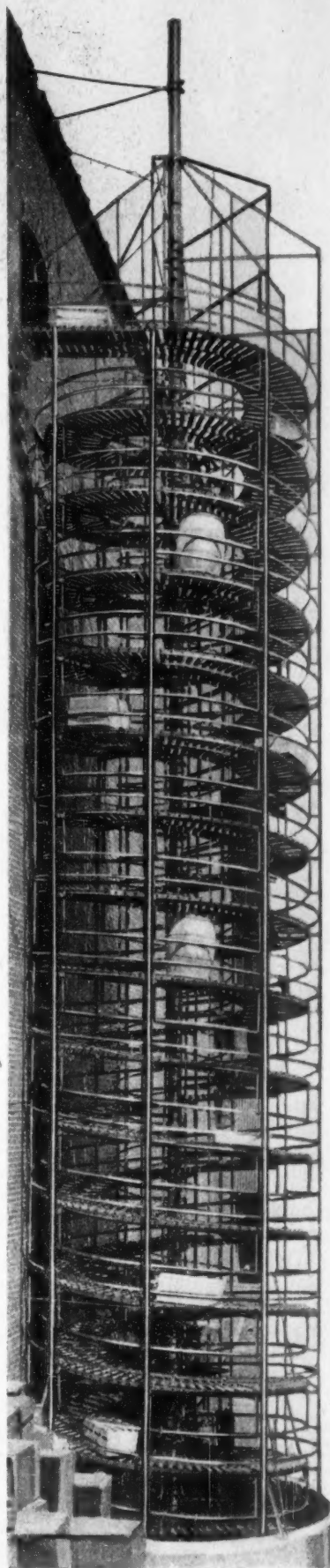
148 Tenth Street

Ellwood City, Pa.

*Branch Factories, Port Hope, Ontario—London, England.*

**Gravity Roller Conveyers   Gravity Roller Spirals   Belt Conveyers  
Metal Spiral Chutes   Automatic Straight Lifts and Inclined Elevators.**

**MATHEWS**  
SPEED GRAVITY ROLLER CONVEYER ECONOMY





**ST. LOUIS**  
Your Economical Market

**GOODS LAID DOWN**  
From St. Louis Cost Less

*A Word to Merchants—  
Cheaper Freight Rates*

*St. Louis Fashion Show August, 1921*

## St. Louis—Its Trade Zone



**S**T. LOUIS is one big city in the United States that is going out into its trade zone to get business for its industries and wholesale houses. When other cities, and business in general, were retrenching and waiting for times to improve, St. Louis appropriated city funds to go out and make business better. It conducted an advertising campaign in its trade zone to bring merchants to St. Louis to buy goods. It is spending \$50,000 this year to build business for St. Louis.

Advertisements in 90 newspapers in 14 States last Spring gave definite reasons why it is profitable for merchants to buy their stocks in St. Louis. This was followed for the Fall season by advertisements in 129 newspapers in 19 States. The St. Louis Fashion Show—of international reputation—in the Municipal Open-Air Theater in Forest Park furnishes these buyers with an annual exposition of latest styles. The success of this new spirit of municipal co-operation is shown by these unsolicited comments from newspapers in widely separated cities:

St. Louis is engaged in a novel advertising campaign. It is a campaign to boost the city, with the principal emphasis on its market facilities. Tooting its own horn in this fashion, St. Louis will spend \$50,000 this year.

**Messenger & Chronicle, Ft. Dodge, Iowa.**

Among the go-ahead concerns of the present time must be listed the City of St. Louis. The Chamber of Commerce goes forth in modern merchandising spirit and "sells" St. Louis.

**Wichita Eagle, Wichita, Kan.**

The merchants of St. Louis are driving after business in a wide area. They have facts and figures, and are certainly live wires.

**Marion Daily Chronicle, Marion, Ind.**

In an out-of-the-ordinary advertisement, the St. Louis Chamber of Commerce makes a strong appeal to the merchants of the South to buy in St. Louis. The key of their appeal is that the shorter freight haul aids in reducing selling prices.

**Augusta Herald, Augusta, Ga.**

*Send today for our booklet, "St. Louis As THE Manufacturing Center."*

The St. Louis Chamber of Commerce has inaugurated a nation-wide campaign that will mean big things for the business interests of St. Louis. It is a campaign to bring the merchant to that city to do his wholesale buying.

**Arizona Republican, Phoenix, Ariz.**

The St. Louis Chamber of Commerce is managed by men of vision. They believe in newspaper advertising. They know it is the best and cheapest way to stimulate community building.

**Tuscaloosa News, Tuscaloosa, Ala.**

The appeal of the St. Louis Chamber of Commerce to the reason and business sense of merchants everywhere is bound to bring buyer and seller together on a basis of equity and economy.

**Kansas City Kansan, Kansas City, Kan.**

In a big, concerted effort to bring buyer and seller closer together, the St. Louis Chamber of Commerce is putting on a large scale of advertising in newspapers throughout the Southwest trade territory.

**Waco Times-Herald, Waco, Texas.**



**General Secretary**  
**ST. LOUIS CHAMBER OF COMMERCE**

**St. Louis, U.S.A.**



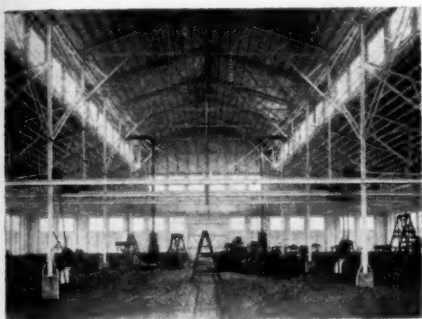




### Buildings for Numerous Purposes

*In addition to service stations, Hydraulic Steel Buildings are being extensively used for warehouses, garages, machine shops, pump houses and factories—in fact, for practically all kinds of one-story structures—for which they meet individual requirements perfectly and mean distinct savings in cost over any other permanent construction.*

May we send you details of the savings?



Interior and exterior views of Hydraulic Steel Building, 100 feet long, 90 feet wide, for B. F. Avery & Sons, Louisville, Ky.



## The Modern Oasis

With gas running low the motorist swings into the conveniently located filling station. His praises are for that company whose spirit of service prompted it to provide such a convenience.

The filling station is another modern development in which Hydraulic Steel Buildings are playing an important role. Due to moderate cost, it is possible to erect these stations at numerous locations convenient for those who drive.

Today the Magnolia Petroleum Company, National Refining Company, Standard Oil Company and others are supplying not only gas, but gas at most convenient locations, by means of these attractive, fireproof, efficient buildings.

### THE HYDRAULIC STEELCRAFT COMPANY of THE HYDRAULIC STEEL COMPANY CLEVELAND, OHIO

#### BRANCH SALES OFFICES:

New York Singer Building	Chicago Fisher Building	Detroit Book Building
Atlanta Rhodes Building	Richmond, Va. American National Bank Building	St. Louis Commercial Building
Indianapolis Public Savings Building	Memphis 70 West Colorado Ave.	Philadelphia Land Title Building
New Orleans Where Howard Meets Constance	Dallas 1806 Main Street	Cincinnati 206 West Court St.
Omaha 602 Paxton Building	Lansing, Mich. 406 East Michigan Ave.	
Charleston, S. C. 54 Broad Street	Pittsburgh 1015 Peralta Ave. (North Side)	
	Charleston, W. Va. 605 Virginia Land Bank Building	

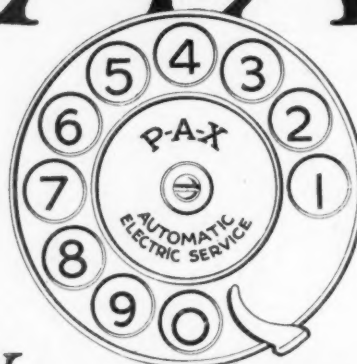


# HYDRAULIC STEEL BUILDINGS

Standardized

As direct as  
this

# P.A.X.



## The P.A.X. and routines

The P. A. X. speeds up routine in plants and offices, not by driving workers to greater speed, but by providing numerous easier ways for them to accomplish more work.\*

With the P. A. X. any organization can do more and better work with the same staff. With its dial and two wires, the P. A. X. without a human hand on the switchboard, gives instantaneous communication 24 hours a day. In addition it provides secret conference wires, code calls, emergency alarm and watchmen's signals *all with the same equipment.*

*The P. A. X. services are adjusted to meet individual wants. A request from you and our field engineers will survey and recommend. Write or telephone our nearest office.*

to  
that  
P. A. X.

Means:

Private Automatic  
Exchange

Combining

INTER-COMMUNICATION  
CODE CALL SYSTEM  
CONFERENCE WIRE  
EMERGENCY ALARMS  
WATCHMAN'S CALLS

and other related services.

*The P. A. X. augments  
and completes but does  
not supplant local and  
long distance telephone  
service.*

### AUTOMATIC ELECTRIC COMPANY

Home Office and Factory  
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445 Tremont Bldg.

PITTSBURGH OFFICE  
608 Fulton Bldg.

DETROIT OFFICE  
525 Ford Bldg.

NEW YORK OFFICE  
21 East 40th St

CLEVELAND OFFICE  
415 Cuyahoga Bldg.

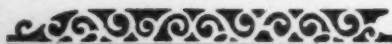
KANSAS CITY OFFICE  
1001 New York Life Bldg.

ROCHESTER OFFICE  
519 Arlington Bldg.

PHILADELPHIA OFFICE  
The Bourse Bldg.

COLUMBUS OFFICE  
516 Ferris Bldg.

SAN FRANCISCO OFFICE  
320 Market St.





## Through the Editor's Spectacles

**T**HIS LETTER, which will find a responsive echo in the heart of many a business man, comes to us from P. L. Bristol, of the Bristol Supply Company, St. Joseph, Mo.:

I am much interested in the yellow sheets you are sending me. More especially the last one. "Weekly Review, August 22 to 24." Item reading, both Houses adjourn until September 21. That will give me about twenty days to catch up. I will not admit to having been dilatory in my exertions to keep apace with my reading of the very numerous laws as passed by my Government, my State, and my town. For the past fifteen months I have been devoting seventeen hours a day to the reading of new laws enacted, and to the best of my judgment I am about twenty days behind. Therefore, my hearty appreciation of their twenty-day recess.

It is no wonder the Supreme Court is four years behind. Most of those gentlemen are getting along in years and can't read as fast as I can. I don't see how in thunder they keep from violating some law. However, I reckon they are so dignified that they are not prone to cutting many capers.

If it is not in violation of some law for you to answer my question I would like to ask you if anybody ever repeals any laws. If not, where the deuce do they find space to store them?

A few months since I was honored by having someone in authority send me a printed form to fill out. In size it was somewhat smaller than the bed sheet required by law in Kansas (6 by 9 feet). After carefully reading the instructions for a couple of days I came to the conclusion that it must be a tax report from the Government.

Well, the next morning I replenished my ink bottle and started in. The instructions went something like this:

1st. If you are married and live with your wife make your report on 1040 A.

2d. If you have any babies 18 years old, put them in at \$200 each.

3d. If you are supporting any other dependents, be careful.

I didn't go any further, but grabbed my hat and went in quest of a lawyer. I didn't have to go far, as they are thicker out here than pin feathers on a young goose. If I remember rightly, I called on forty-seven, and they each told me different, but all told me ten dollars. Finally, one of my friends, or possibly one of his friends, told me of a Registered Accountant down in St. Louis. If I remember rightly, they told me he was a cracker-jack. I don't think that was his real name, but anyhow we'll call him that.

Well, Cracker Jack came for an interview. I shifted my gears over onto unsophistication, and we jockeyed for position. I finally won out, as he first wanted either two-thirds of my net worth or two hundred dollars a day. He finally agreed to take only one-half, or one hundred dollars a day.

I then asked him if he would take the one-half of what was left after I had paid my taxes. That made him feel a little boisterous, and he asked me if I thought he was a D—Phool.

Well, I am going to make a confidant of you and tell you, as soon as I find out which one, the Government or Cracker Jack, got the most money, and also if I have any left.

**S**OME WEEKS AGO an editorial caller interested us in trackless trolleys and the experiment with them which a Southern city was making. Later fate put in the seat

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## THE NATION'S BUSINESS

Vol. 9

No. 10

Published Monthly by the Chamber of Commerce of the United States, Washington, D. C.

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As the official magazine of the National Chamber, this publication carries authoritative notices and articles in regard to the activities of the Chamber. But in all other respects, the Chamber is not responsible for the contents of the article or for the opinion to which expression is given.

next to us, on a train to New York, a courteous gentleman who explained that he was city clerk of Bloemfontein, South Africa, and that he had been studying city government methods in this country. The talk swung around until the Southern city was mentioned. There followed a question about trackless trolleys and this was the reply:

"No, I didn't see them there. But I know quite a lot about trackless trolleys. You see we've had them in operation for a number of years."

And he mentioned other far-off cities where trackless trolleys ran—Shanghai was one—and our confidence in America's leadership in everything came down just one peg.

**A**N INDICATION of the intense interest that is centering around the approaching disarmament conference can be found in the widespread attention attracted by Senator Borah's article in the September number. In a recent letter the senator says:

I have received a vast number of letters and telegrams in regard to the article. It has ap-

parently reached a great number of people favorably. I am enclosing one letter which seems a little exceptional.

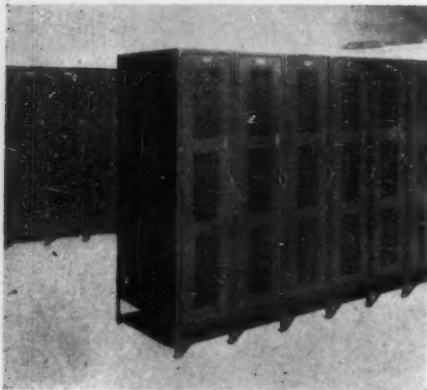
The letter he refers to is from Graham Patterson, president and publisher of *The Christian Herald*. Mr. Patterson says:

Your article in *THE NATION'S BUSINESS* reproduced largely in the *New York Times*, showing that our preparations for war at our present scale of expenditures, saddle a burden on our people more than equal to the entire reparations demanded of Germany, is the most conclusive and unanswerable argument that has yet been advanced in support of a sweeping reduction of armaments. Its logic is irresistible.

The article should be in the hands of every American citizen, not even excepting Congress and the members of the coming conference.

And here is one from A. E. Wallace of Toronto, Canada, which shows that interest in the article was not confined to the United States. Mr. Wallace saw a reprint of *THE NATION'S BUSINESS* story in the *Toronto Daily Globe*. Part of his letter follows:

# DURAND STEEL LOCKERS



**GOOD** equipment is the least expensive in the long run; it is a source of permanent satisfaction.

Durand Steel Lockers are made by skilled workmen out of the most durable of materials. They will last a lifetime.

In appearance they are trim and workmanlike. To your employees they are a constant reminder of neatness, system and efficiency.

*We also make Steel Racks, Bins and Shelving. Catalogues on request*

**DURAND STEEL LOCKER CO.**

1511 Ft. Dearborn Bank Bldg. 511 Park Row Bldg.  
Chicago Chicago

My first thought after reading the terms of the Treaty of Versailles was: Now we will have an example of what a nation can do when all its energies are devoted to trade and commerce, without having to carry on its back vast military and navy burdens; some day Germany will thank God for being forced to disarm and will be able to say, "Ours is the victory and not the Allies."

Too many of the public men of all nations are sadly in need of education and unfortunately for the people the material is not always there. And there is not in our legislatures too many men of a deep religious faith.

We all buy our experiences with pain, with anguish, sometimes with our heart's blood, but if out of the war-wreck of material things, out of the fearful penalties yet to be paid in famine, pestilence and penury, there is to come a new birth and if the trumpet of battle awakens the spiritual part we have lulled to sleep, then the price is not too dear.

This is a strange world and I sometimes wonder if it is best to try to understand things. Forbidden things seem to be much nicer than unforbidden, and we love to do them until they are done.

Mention should also be made of the post card addressed "THE NATION'S BUSINESS, published by the U. S. Board of Commerce, care Senator Borah." The writer evidently is under the impression that the National Chamber is a part of the Government and that THE NATION'S BUSINESS is one of Uncle Sam's free publications.

IT IS agreeable to get a letter with a paragraph like this:

"It is a pleasure to inform you that I find THE NATION'S BUSINESS a very distinct service and aid, and shall probably call upon you from time to time for such information as you are able to supply."

What preceded this polite tribute was a request for more information about the article in the September number called, "What Will the Farmer Buy?" and it is only one of a series of calls for reprints, extra copies, and additional information as to the source of the article.

ONE OF THE THINGS that constantly puzzles us editors is just what you gentle readers read. There is just one angle of the question of which we never have any doubts—we know that if ever we make a slip, our transgression will be instantly spotted and called vigorously to our attention.

We illustrated our story on the International Chamber of Commerce in the August number, with a photograph showing bales of cotton coming ashore from a steamer. The legend on the back of the picture had been written in pencil and had been partly obliterated. However, the words "American cotton" and "Liverpool" could be made out. So we published the picture with a line underneath saying that it was American cotton being hoisted ashore at Liverpool.

The days passed as days will, and comes a letter from A. S. Dudley, Secretary-manager of the Sacramento Chamber of Commerce:

Just a line to renew old acquaintance, and to call your attention to the photograph on page 14 of the August issue. . . . Apparently your file clerk made an error and slipped a photograph which I made at Los Angeles Harbor last fall into your Liverpool file, as this particular print, which is one that I made, bears the notation "American cotton . . . being hoisted ashore at Liverpool."

Comes a few days more and another letter. This time from Frank Wiggins, Secretary, Los Angeles Chamber of Commerce. Atten-



**SWIFTNESS** results from time-saving office appliances. The more speed—the more profit!

We build over 1,000 office appliances—from a small desk tray to complete filing units. Our Catalogue shows how each article is used. All our prices meet present conditions.

No business office should be minus our Catalogue. It costs nothing. Tell us you want it. It's cheerfully sent, together with the name of the nearest Weis dealer.

**Weis**

## A Swinging Desk Stand

Attached to Your Desk

No. 5

\$5.00



Provides additional working space. Swings typewriter, adding machine, reference book, etc., within easy reach. A real necessity for holding stenographer's note book while taking dictation. The wood tops are 14x18 inches; furnished in Golden, Natural or Weathered Oak or Mahogany finishes. Metal frames in Black Enamel, Oxidized Copper or Nickel Plated. Your dealer will order one if he does not have it in stock.

## No. "421" Letter File

Only \$23.00

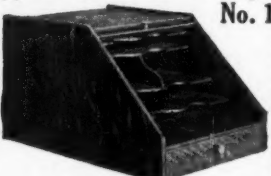
(For Years the Standard Low Priced File)

Made of solid, kiln dried oak and furnished in Golden, Natural or Weathered finishes; Birch Mahogany 10% extra. Every one of the joints in the frame of this file is interlocked, glued and screwed guaranteeing a long lived, non-rackable letter cabinet. Drawers are equipped with easily adjusted follow blocks to keep contents in vertical position. An assortment of drawers enables one to arrange a cabinet to provide for the filing of almost any standard size business cards and papers. Files can also be had in almost any accessible heights and in Cap and Invoice widths in addition to the regular Letter widths.



## Weis Stationery Cabinet

No. 140, \$6.50



Placed on or near stenographers' desks, provide storage space for current supply of stationery, keeping it neat, clean and away from dust and flies. No. 140 has drop lid. No. 150 open vertical front. Any

stationer or book store dealer can quote you. Prices quoted apply in north, central and eastern states. Trifle higher in west, south and southwest.

**The Weis Manufacturing Co.**  
New York Office 52 Park Place  
92 Union St. Monroe, Mich.



tion was called to the caption under the same unfortunate cut, and the letter continued:

While we have profound respect for Liverpool as a shipping point we are very proud of the picture of cotton being loaded in Los Angeles harbor since it is difficult to get the world to grasp the idea that we have a harbor and equally difficult to grasp the idea that the finest cotton on the continent is raised close to our harbor and shipped from it.

My recollection is that the picture you have credited to Liverpool is the loading of the first cotton shipped from our harbor through the Panama Canal to England. For many years the cotton from the Imperial Valley was sent to Seattle and from there shipped to the Orient. Los Angeles has probably the finest cotton warehouses on either coast with the most modern electrically operated cotton presses in use anywhere.

And now we are expecting every mail to bring a letter of protest from Liverpool.

A NEIGHBORLY editor, John La Gorce, of the *National Geographic Magazine*, forwards to us a letter in which the writer tells of his conversation with the captain of a steamship trading between San Francisco and Australia. The writer, who is in the export business, has this to say of why American salesmen in foreign lands do not always get along:

In the majority of cases, the United States salesman is too big to grasp the situation and immediately commences to preach his gospel of bigness and the bigness of the United States; the Australian buyer is conservative and British and resents the "ABC" initiative of the ambassador's ways and doctrines, he believing that Australia is quite big enough for him and naturally asks himself, "Why doesn't this man keep to his own domain and leave me to mine?"—therewith beginning this growing animosity between the two peoples.

In his accompanying letter, Mr. La Gorce says:

We are a young nation, many of us are boastful, proud of our rapid progress and inclined to be contemptuous of other nations because they have not been front runners, and that point is particularly true in our national ego in connection with our language. As a people we seem to resent very much the fact that the Spanish, French and Scandinavian do not speak English and that, therefore, they must be very ignorant and backward.

ACCOUNTS of the destruction of the airship ZR2 in England caused a number of people to refer to the item about our friend the navy officer which appeared in the September "Spectacles." We told of a conversation before he went across, in which he was jokingly warned against flying back from England and how he announced that he was going over for that very purpose.

Roy Dickinson, of *Printer's Ink*, wrote:

As I read this I realized how much of life and tragedy come close to editors—even on business publications.

We did not give the name of the navy man we were talking about and we hasten to do so now. He was Lieutenant Clifford A. Tinker, who, our readers may remember, once wrote for us a remarkable story on the commercial possibilities of rigid airships. The morning after the tragedy we looked first at the list of Americans who were on the ship. We found one cheering line in the dispatches. They told us that Lieutenant Tinker was one of the two navy officers who were not aboard the ship on the fatal voyage. Pressure of work kept him at his desk—and saved his life.

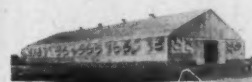
M.T.



President:—I'm afraid we've hesitated too long waiting for building prices to drop. Now we are up against it for a building.

Works Manager:—Here's the answer. We can buy a Blaw-Knox Sectional Steel Building and get immediate delivery. We can erect it with our own men and the price is right.

President:—Fine. Tell Mr. Jones to place the order at once.



50'x 100' "Daylight" Factory Building



40'x 100' Factory Building with Monitor



Group of Small "Prudential" Buildings

## Steel Buildings for Immediate Shipment

### Low Cost—High Quality—Long Life

Do you need a building in a hurry? Not a flimsy makeshift, but a real honest-to-goodness building, made entirely of galvanized sheet steel, fire-proof, weather-proof, lightning-proof, skillfully designed, pleasing to the eye—a building standardized in every respect and low in first cost. If so, order a

## Blaw-Knox Prudential Sectional Steel Building

### Shipped from Stock

The Pennsylvania Casting & Machine Works found that a Prudential Building was just the structure to house their power equipment. They erected their new power house in a few days, using ordinary labor. Think of what they saved. You can do the same.

Used by wise and critical buyers such as:

Standard Oil Company  
Atlantic Refining Company  
Maxwell Motor Company  
Worthington Pump & Machinery Corporation

Black Products Company  
Chesapeake & Ohio R. R.  
Consumers Mining Company

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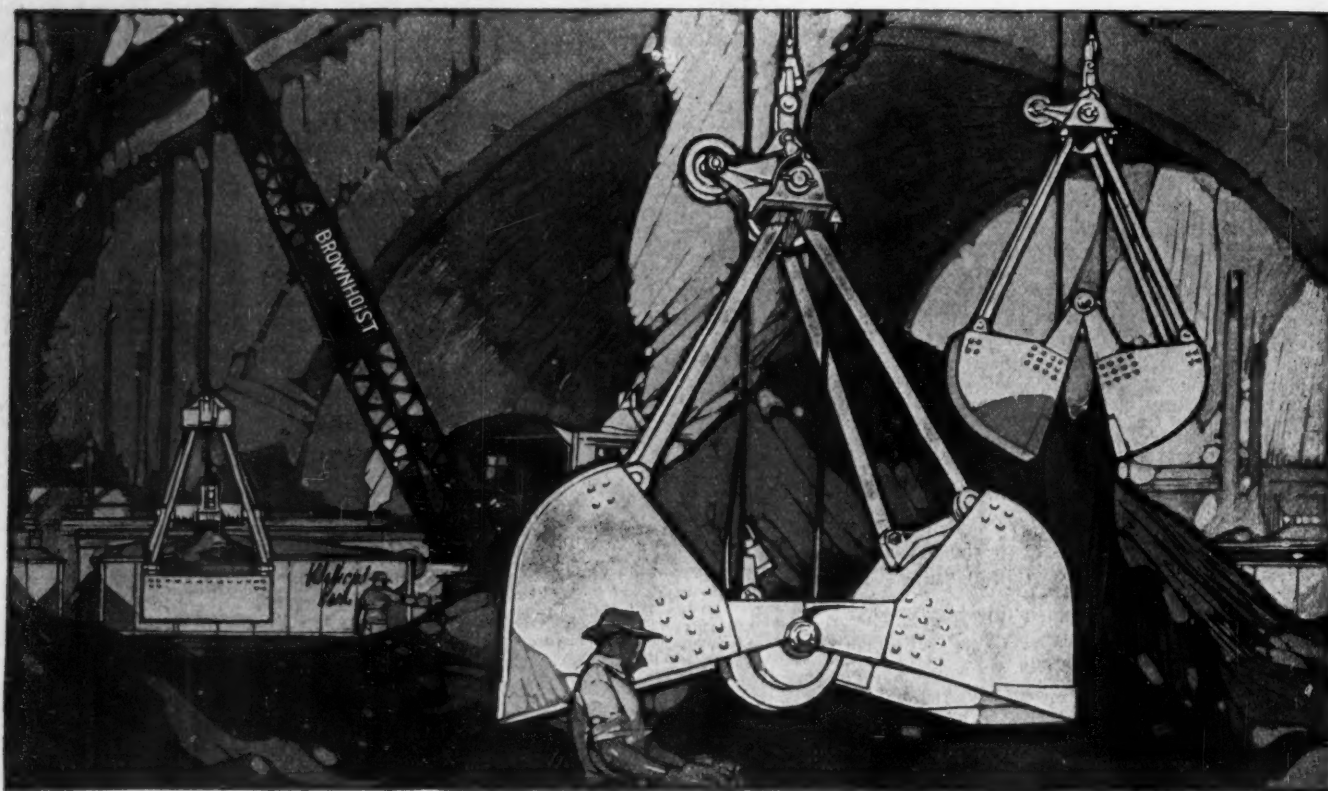
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# THE NATION'S BUSINESS

A Magazine for Commerce Business Men

VOLUME 9, NUMBER 10

OCTOBER, 1921

## War Doesn't Pay

No munitions concern can live by war alone, and when conflicts do come they are much more likely to bring such a corporation financial ruin than to produce a lasting profit for it

By **PIERRE S. DU PONT**

*Chairman, E. I. du Pont de Nemours & Company*

**T**HE POPULAR conception of a munitions maker is a sinister individual with a deep hatred for peace and a contempt for the pursuits thereof. He is pictured as doing all in his power to fan the flames of distrust between nations and to delight in the conflicts that ensue, since they create enormous and immediate profits for his corporation.

I called this the popular conception of the munitions maker; in reality it is the popular misconception.

Consider the E. I. du Pont de Nemours & Co., whose history is coincident in point of time with that of the United States. We have furnished a great part of the explosives used in all the wars in which the United States has engaged. Therefore we feel that our records should show conclusively what war will do for—and to—a maker of munitions.

No munitions concern can live by war alone. During the 139 years of the existence of the United States as a nation there were four major conflicts before the World War. They lasted about ten years in all, or about 7 per cent of the time. How could any independent corporation keep itself alive for 139 years by turning out a product that was only wanted ten years of the time?

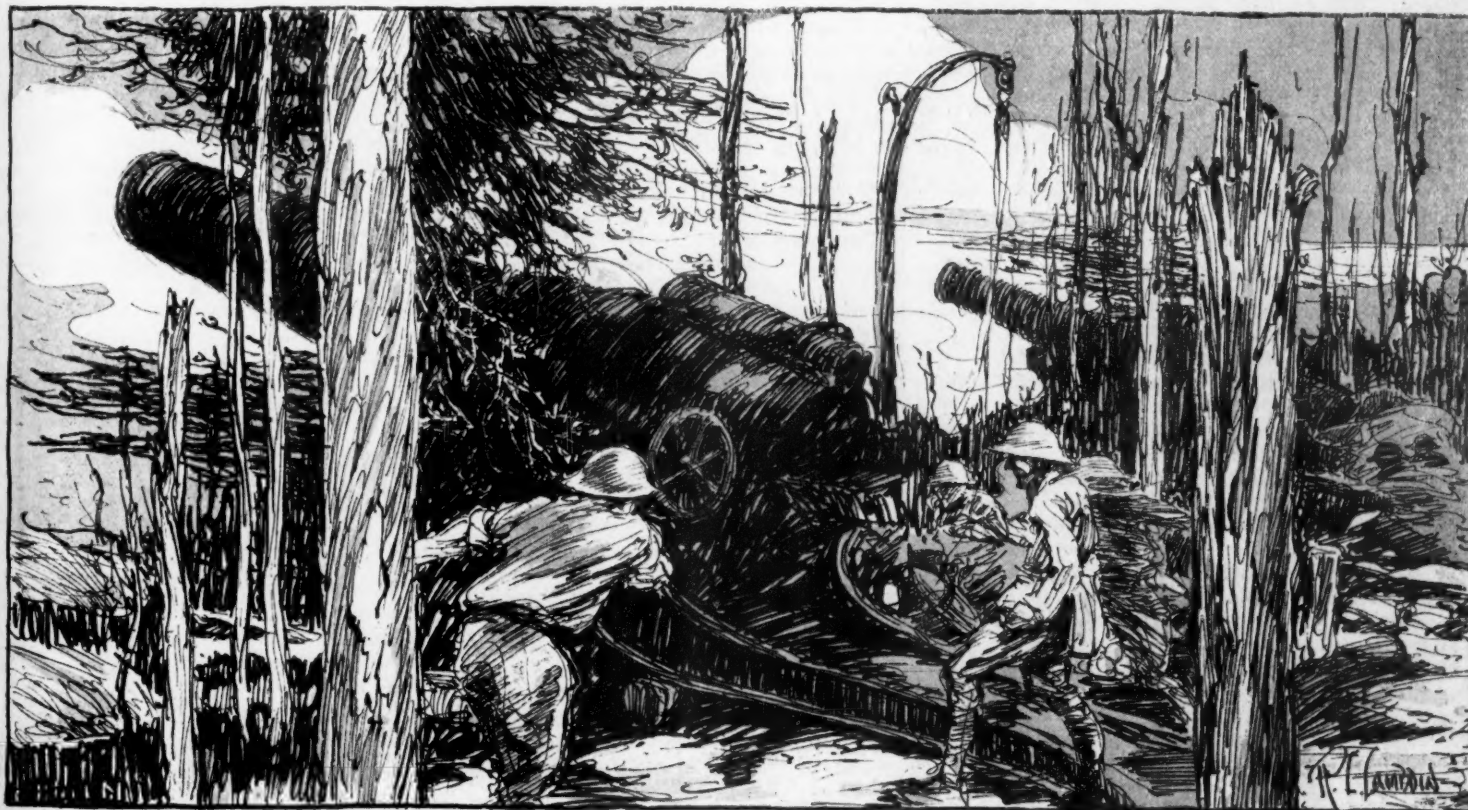
The manufacturer of war materials who was prepared to meet the emergencies of these years was not supported during the intervening time by preparations for the conflicts. Such manufacturers existed through the ownership of factories occupied in making peacetime products. In that way alone could they stabilize their businesses.

Most people—business men included—probably think that war has no dangers for the maker of munitions. The truth is that no one realizes as clearly as do we makers

of war necessities the grave financial dangers of modern conflicts. Even for a company as strong and firmly established as our own, it is a gamble whether it can successfully weather the storm.

There is the need for immediate and tremendous expansion; the steady, even flow of peacetime business gives way to a feverish rush for materials and labor. This expansion must be accomplished when there is a demand for money from a thousand sources. You might assume that our factories can turn to the making of war materials without changing their equipment. As a matter of fact, our plants that made powder for commercial purposes could not turn out the explosives used in modern warfare. New plants, then, must be erected, new organizations created when labor is hard to find and not overconscientious.

Wars stop suddenly. The munitions maker



People think that the powder maker "profiteered" during the war. Taxes ate up all profit on du Pont powder sold to the Government for that period and for the preceding twenty

years. Smokeless powder, the chief product of the company, was the one essential material whose cost declined during the war. In that there was a reduction from 53 to 44 cents.

finds that his market has vanished overnight. He is left with plants and organizations on his hands that are of little value during peace—and these difficulties are enhanced by the depression that follows conflicts.

Our company has attained its present position not because of, but in spite of, the wars it has helped to fight. Today we are still busy unsnarling the tangles that resulted from our part in the World War. We are by no means alone in this respect. I could name half a dozen great concerns that turned their energies to war production that are having serious difficulty in pulling through the after-war slump. I could mention a famous automobile company that turned to the production of airplane motors. They came out of the fight without even a factory, and since then they have not built a single car. There is a long list of such industrial casualties left in this country by the great war.

In war times, prices of most materials mount skyward. This is true particularly of foodstuffs, clothing, and many articles that go into the equipment of the fighting man. Manufacturers of such products are given an immense and immediate market at soaring prices. Yet manufacturers of these commodities are not accused of promoting war for the selfish purpose of increasing prices, notwithstanding the fact that the increased demands of war do not require the investment of their capital in special machinery and supplies useless for peaceful pursuits.

Smokeless powder, the chief product of the du Pont company during the war, was the only essential material whose price declined during that period. We believe that is a record. Now, what happened to some of the other necessities? The price of cotton on the farm soared from 6 cents in October, 1914, to approximately 42 cents in July, 1920; the price of wheat on the farm went from 76½ cents in June, 1914, to \$2.58¾ in June, 1920. Our price on smokeless powder was reduced from 53 cents to 44 cents during the war period.

It is probable that few munitions makers gained much financially from their operations. In the case of the du Pont company, taxes paid to the United States Government during the recent war not only absorbed the entire profit of the company on powder sold to our Government, but, in addition, they wiped out all of the profit made on these powders during the preceding twenty years.

#### War Factories Abandoned

THE great factories of our company that produced powder during the World War were created for their purpose and were abandoned completely when the war ceased. It is true that the United States Government at all times maintained experiments, requiring the production of military explosives, but compared to the industrial business of the du Pont company the quantities were small—not more than 5 per cent of total production during recent years.

It is fortunate, indeed, that the United States encouraged the development of munitions through private enterprise in preference to Government control. The nuclei of manufacturing organizations available to the Government in the late war were undoubtedly a determining factor in the final result. Our European allies concede that they would have failed to withstand the preparedness of the German nation had it not been for the assistance of the munition makers of the United States. Without these same munition makers, our own Government would have been powerless; in fact, it would never have had an opportunity to lend its assist-

ance to the allies, who carried the burden in the early war years.

While the Government of the United States showed wisdom in turning over the production of military explosives in small quantities during times of peace to the industrial manufacturers, still greater wisdom has been shown in the promotion of general industrial enterprise, so that the United States was prepared in many lines of manufacture necessary for war purposes.

It has not been many years since our European friends advised that the people of the United States should restrict themselves to the pursuit of agriculture, to which this country is well fitted, leaving Europe to manufacture from the raw materials won from American ground. Our Government wisely turned a deaf ear to those proposals, and, through the levying of tariffs, gave to the United States industries without which the war would not have been won. The production of steel, of many chemicals and other products was fostered in the early days by protection that met such criticism, but this protection was a small price to pay for the development of manufactures.

#### Where Germany Outwitted Us

IN one industry Germany contrived to outwit our Government, namely, in the production of dyes, which the German Government recognized as the key to the manufacture of certain military explosives not generally useful in other industry. However, the hand of Fate delayed the war sufficiently to enable the manufacturers of the United States to prepare. Had the United States been driven to war a few years earlier, there would have been total lack of preparation in a most necessary line of explosives and chemicals. No more cunning plan could be devised than to wrest from the United States the foundation that now exists for the establishment of the manufacture of dyes. In raw materials, the United States is not lacking. The skill of its labor and technical men is sufficient, but to establish the dye industry in competition with Germany, enough time must be permitted to work out economically the intricate processes that are required for the successful production of dyes. These latter can be made, in fact, have been made, in quality equal to and even excelling the German dyes. But to date economical production through improvement of yield and economical disposition of by-products has not developed sufficiently to enable the industry to withstand unaided the competition of Germany, whose years of unopposed development work give her temporary advantage.

This same question has arisen many times before in the United States, and temporary increase in the prices of productive materials has been opposed by shallow thinkers, but the result of proper protective tariffs has been the employment of many men and women at good wages and the production of manufactured goods of quality and price far more satisfactory than the imported article of earlier years.

In time of war it is not difficult to enlist the capital of the adventurer in war-time pursuits. These adventurers are ready to take advantage of any situation. Their opportunities occur from time to time, not through their own making, and they are disregarded by the public as promoters of war. On the other hand, those industrial manufacturers who, through the production of similar materials, stand ready to help the Nation in the hour of need, are frequently the targets of those who aim to promote discord.

Could anything be more unlikely than that old and well-established industrial corpora-

tions should encourage a condition of affairs calling for the gravest financial risk in the preparation of huge quantities of special products in times so uncertain as a period of war? Again the case of the E. I. du Pont de Nemours & Company may be cited. At the outbreak of the war we had capital assets of about \$80,000,000, and employed about 6,000 men. Our business amounted to about \$26,000,000 per annum. Demands of war required the increase of this business to over \$300,000,000 per annum, the employment of 68,000 men, and the investment in factories for the production of special military explosives of \$220,000,000, equal to 270 per cent of the total assets of the company prior to the war.\*

The building of these factories and the production of 1,466,000,000 pounds of explosives required the purchase of an enormous quantity of materials in widely fluctuating markets, and in face of possible cessation of hostilities at any moment. Failure to produce on specified time would have entailed most serious consequences. Presence of explosives made the factories particularly liable to successful attack by the enemy, requiring constant guarding at all points. The introduction of thousands of untrained men not only caused grave risk with respect to the quality of product, but through possible carelessness or lack of information, introduced hazards whose consequence might amount to thousands of dollars in a single accident. Witness the war-time destruction of several powder magazines in flares that lasted a fraction of a minute, where the value of material lost amounted as high as \$250,000 in one such accident.

I hope that I have made it clear that we makers of munitions who survived the risks to life and capital are not among those anxious to repeat the experiment of war by preventing the establishment of permanent peace. I consider President Harding's move in calling the disarmament conference a long step in the right direction, as it will be held while people still have in mind the physical horrors of warfare, and while the nations still are suffering from economic wounds. Sentiment against war has always been strong; added to this sentiment now is the crushing burden of taxation, and a disarrangement of all the orderly channels of domestic and international commerce. The conference has an excellent chance to achieve the high aim for which it has been called.

#### Value of Research

THE du Ponts were pioneers of industrial research in the United States, having entered the work more than a century ago; but within the last few years research has come to be recognized not only as vital to industry generally, but to the public itself. Hundreds of plants, including the United States Steel Corporation, the American Smelting and Refining Company, and several rubber companies, maintain their own establishments. The United Engineering Society has set up Engineering Foundation as an instrumentality to advance the science.

Among industrial establishments in the District of Columbia now engaged in research are the National Canners' Association, and the Institute of Industrial Research. These organizations were named in a report recently made public.

Robert M. Raymond, professor of mining in Columbia University, where industrial research is now being carried on extensively, says that it is responsible in large measure for conservation of the Nation's resources.



# Speeding Up the Mails

It's a big job that faces the Postmaster General; here are some of his problems and the things he is doing to cut down the traveling time of letters and parcels

By WILL H. HAYS

*Postmaster General*

**O**N MORE than any other one thing the Nation's business depends on the postal service.

Inversely, business men do about 75 per cent of the postal business and should know all about it and have more to say concerning methods of improvement.

I wish we could sit down together and discuss this big business. The business men of the country are the largest stockholders. We ought to have, by all means, constructive criticism and suggestions for improvement from the business of the country. I wish I could impress upon business men how earnestly the postal management is looking for suggestions, constructive criticism, and complaints of poor service. We want these for a purpose—that there may be action on them. This is absolutely the one best way to improve the service.

We had a representative from the exporters of the country to go to Buenos Aires with our own official to attend the Pan-American Postal Congress now in session there, from which we expect conventions which will facilitate the parcel post and other business with the South American republics.

The savings bankers have advised with us on the postal savings changes which have been recommended to Congress.

We got a representative big manufacturer to come to Washington in connection with the cost of keeping record of parcel post.

A traffic expert from one of the big railroads of the Northwest is today Second Assistant Postmaster General.

We had the general purchasing agent of one of the largest railroads go over carefully our methods of purchasing supplies.

The vice-president and expert of one of the big life insurance companies is serving in the Department indefinitely without salary, improving working conditions of the postal employees.

The president of one of the largest motor haulage companies in New York City, serving without pay, is going to reorganize the motor vehicle service of the Postoffice Department, which operates almost 4,000 motor trucks, and has a personnel of nearly 5,000 people. This service is confined to the delivery of mail within cities.

We consider this service somewhat akin to the Railway Mail Service, as a mail transportation aid, and should be as efficiently managed. This representative of a big private transportation concern will thoroughly reorganize and place the service on a most economical and efficient basis.

We are calling to Washington experienced postmasters who deal directly with business men. These postmasters remain here several weeks and sit in on our semi-weekly departmental conferences to keep us in touch with the actual conditions during this formative period.

We have regarded the Post Office Committees of Senate and House as a board of directors, and the Joint Postal Commission as an executive committee. They are in touch with everything we are trying to do and the

**W**ITH its 300,000 employees the Postal Establishment handles 1,700,000 letters an hour. It sells one stamp daily to every two million of the over one hundred million people, a total of 14,000,000,000 stamps sold annually. Besides these the post office sells 9,000,000 stamped envelopes daily.

The annual turnover of the Postal Establishment is \$3,000,000,000, with expenses of nearly \$600,000,000.

It satisfies debts to the amount of \$1,500,000,000 through the sale of 150,000,000 money orders annually.

Over 2,500,000,000 parcels are handled annually by the parcel post.

The earth could be wrapped around thirty times with the twine we use in tying mail in bundles annually; 830,000 miles of twine is thus used.

How would you like to find \$55,000 without any claimant? The Dead Letter Office does that every year. The careless public either puts no address on the envelope or only partially addresses it.

The Dead Letter Office handles 19,000,000 undelivered letters annually. The New York post office alone handles over 250,000 misdirected letters daily, readdressing them from city directories before they can be delivered. It costs the taxpayers millions to correct their own carelessness.

Department is in touch with them continually.

We are reaching toward the maximum co-operation of support when we get the Chambers of Commerce, Boards of Trade, Business Men's Clubs of the country, to hook up as a unit on the "Mail Early" campaign. It is gratifying to see the literature and magazines containing this data which these organizations have put out.

In so far as we can speed up the handling of business mail, just that much have we speeded up business.

Observe how speeding up the mail reflected a saving to the business community of \$1,000 a day on a 5½ per cent interest basis in New York City. We put a change of method of pouching and distributing incoming registered mail for the financial districts of New York, and during one of the weeks in July an average of \$6,000,000 daily was collected through the Clearing House on the day of receipt, which, under the old conditions, would have been received too late for clearing.

As business men know, a business is no stronger than its weakest link. Often that link is its personnel. That has of late been the weak link in the Postal Service. If we can improve the spirit and actual conditions of the 300,000 men and women who do this job, that in itself is an accomplishment, and it is just as certain to bring a consequential improvement in the service as tomorrow's sun.

When we took hold of the administration of the post office it seemed to me that the field

in which the greatest progress could be made in the shortest time was in improving the morale of the service. I was sure that by merely introducing a different spirit into the relations between the Department and the employees, by making them more comfortable and giving them assurance about their future commensurate with their worth and importance, as a matter of simple justice—by merely doing this I felt confident that we could accomplish the equivalent of adding many thousands of employees to the Department, and it has succeeded. The most important element in any service is the spirit of the men doing it. I am determined in all seriousness to go to great lengths to develop in the Department the spirit that we are 300,000 partners. The working conditions in many places are unsatisfactory, and a large amount of improvement must be made in that direction. There is no doubt about the quality of our employees. They have the brains and they have the hands to do this job well, and now again their full heart is coming into the service.

We are developing a Welfare Department just as definite in its duties and certain in its functioning as the Fiscal Department or any other department. Every other large industry of the country has adopted welfare measures. This humanizing business is not original. It has been the definite trend of American business for the past generation. Just how far we can go with it in the Post Office Department I don't know, but it is certain that very much can be done, but not in any sense in lieu of wages. All the things that are done successfully for the welfare of the employees in other businesses must be done as far as possible in this, the greatest of all business. Why it has not been seriously attempted before in the Post Office Department I don't know. Uncle Sam must be just as good a boss as any private employer.

I have said, and I reiterate, and shall reiterate at every opportunity, that the postal establishment is an institution for service and not an institution for profit or for politics. You can't expect men and women to give service if they are to be the shuttlecocks of politics. It would be my very greatest satisfaction if in this effort I contributed a little to the end that the postal service be made more and more a desirable career into which the young can enter with a certainty that their service will be performed under reasonable conditions, for a reasonable wage, and for an appreciative people. The first element of a proper appreciation is to make certain that honest and efficient service shall be honestly recognized, and that the merit system shall control without any subterfuge under any circumstances whatsoever.

I have said, and I repeat, that my purposes are and shall continue to be: First, to make such rectifications as in all decency and fairness must be made to assure a square deal; second, to strengthen and broaden the Civil Service at every point wherever possible, to the end that merit may govern; third, with absolute fidelity to put the entire service upon

a purely business basis so sound and so serviceable that no political party will ever again dare attempt to ignore or evade it ultimately.

The problems facing the postal administration are large, numerous, and difficult to solve.

In many of the larger cities the post office buildings are wholly inadequate to meet the constant growth of the postal service. As an illustration, in New York City, where the situation is most acute, there has been no increase in postal facilities since 1912, and yet the growth of postal receipts at that office increased 289 per cent.

The Joint Postal Commission has been working on this problem for some time. They have just submitted a report on the New York City postal problem. In order that we may have every possible assistance in solving this big problem, I have appointed a citizens' committee composed of leading business men of New York City to act in an advisory capacity as to the best method of providing the most urgent postal needs at this point, which might be aptly termed the neck of the bottle.

Recently there has been placed in operation a harbor boat service which will take the mail for points beyond New York from ships arriving in quarantine, and also parcel post originating in Brooklyn for points beyond New York direct to river points along the Jersey shore, instead of hauling such mail through the congested streets of New York as before. This not only expedites mail to points beyond New York City, but also relieves congestion to a considerable extent in New York City.

Another postal facility in the vicinity of New York has just been added by placing a fast mail train operating between Philadelphia and Binghamton, New York, cross country, which will avoid the necessity of sending a large volume of mail by way of New York City, thus expediting the delivery of early newspapers and letters for points in Northern New York, Canada, and westward, also for points south of Philadelphia and Washington.

#### How the Boy Has Grown!

THE growth of the parcel post since its establishment in 1913 has been enormous. The estimated total number of parcels carried has increased, in round numbers, from 332,000,000 in 1913, to over 2,500,000,000 in 1921. With this increase in the number of parcels, there has also been a decided increase in the size and weight of parcels. It is now the greatest express facility in the world. One can well imagine how such a growth would affect the mail service, with its facilities never quite adequate and almost at a standstill during the period of the war. As a result of this condition, serious consideration must be given to providing additional buildings in the leading postal centers for the specific purpose of handling parcel post packages.

In order to prevent any delay to other classes of mail, such as letters, it has been suggested that parcel post be handled separately from other classes of mail in the congested cities and on certain congested transportation routes. This involves great expenditures of money for buildings and equipment, and with the great burden of debt on the Government, which must be considered, the solution of this particular problem be-

comes doubly difficult. It is being approached, however, from every angle, and it is proposed, as rapidly as possible, to meet these conditions without too great a tax upon the public treasury. It will have to be determined whether the problem of additional post office buildings can be more advantageously handled through rental than by purchase.

The Parcel Post service has been open to all who wish to use it, and during the transportation difficulties of over a year ago merchants and shippers found the parcel post agency of unexpected advantage. After having used the parcel post, and finding it so satisfactory, these merchants and shippers have continued its use. We have asked the Joint Postal Commission to ascertain the cost of carrying parcel post matter. It had been stated that there was a large profit in handling such matter. I am not in a position to state whether or not this is true. I am inclined to feel, after failing to ascertain any reliable basis for this calculation, that there has not been a profit, but a loss. The method used to ascertain the cost of carrying parcel post was through calculations made by the number of parcels handled at fifty of the larger post offices. This record was kept twice a year, and perhaps was about as reliable a method previous to the war as could be adopted, but owing to the exigencies of war, the force could not be utilized in maintaining such records. Therefore, the figures for the last few years are necessarily more or less unreliable.

We are now going into this matter determined to find out in the most reliable and painstaking manner the real cost of carrying parcel post. In a number of cities merchants are using parcel post for local delivery of merchandise to their customers. This may be at a considerable loss. Figures on this feature of parcel post are being gathered, which will be a basis for a decision as to how far we can go in extending this service. The Post Office Department is obliged to accept these parcels for delivery when tendered, and it is recognized that such service is a public convenience, and has possibilities for economy by consolidation of parcel post facilities, in cities. Yet it is chiefly a commercial matter, and its maintenance should not become a tax on the public treasury. The parcel post problem alone presents a task of such magnitude as to engage the best minds of Congress and in the Post Office Department to preserve and continue its growth as a public convenience without straining public expenditures.

#### Getting What We Pay For

THE special delivery service is receiving renewed consideration. On account of this class of mail being handled in the same car with other classes of mail, it has suffered some delay. With additional facilities for handling it in transit to be considered, it will receive the dispatch which the public pays for and expects. There has been no consideration given to increasing the fee, as had been erroneously printed in news items. It is now fixed by law at ten cents.

Until within the last few years the railroad companies were paid for carrying the mail upon a weight basis. Every four years, for a certain period, and for a certain part of the country, a careful record of the weight of the mail was kept, and upon this basis

payment was made for the ensuing four years. This method has been changed to what is known as the "space basis" system. The Department now pays only for the space it uses in postal cars.

As to whether this change in method of payment has been equitable to all concerned must be considered by the new postal administration. It is claimed by some that it has contributed to the delay in transporting the mail because the bulk of the mail is not distributed by the clerks in transit, but is carried in storage cars to what are known as terminal stations at railway centers on the route, where the mail is distributed in quarters which can be rented very much cheaper than the distributing space on the postal cars. Those in favor of the "space basis" system maintain that a certain amount of mail can be handled and routed at these terminals between train connections, leaving only mail matter which has close train connections to be distributed en route. It is obviously necessary that the whole system of distributing mail en route be thoroughly investigated.

#### Getting It Off the Streets

THE use of pneumatic tubes in some of the large cities was discontinued a few years ago after having been utilized for twenty-odd years. The commission of postal experts, who investigated these tubes, reported them then as being obsolete; they claimed that the tubes could handle only first-class mail, and counting the time taken to fill and unload the tube cylinders, there was no saving in time in their use over that performed by motor trucks, which were already utilized to carry the more bulky class of mail to the same points reached by the tubes.

At that time the parcel post was in its infancy and street congestion in cities was not a serious problem. Conditions have changed since then. The parcel post has grown enormously and traffic congestion has become more acute in large cities. Mail trucks can not move rapidly now, and it is a question to be settled whether the tubes are not now a facility of auxiliary value to be used for dispatch of letter mail. Some underground method must be used. Possibly it may have to be a facility that will carry all classes of mail matter. The tubes are obviously worth just what they are worth, and if they can be reinstalled at a just price it should be done.

The original purpose of the Postal Law was to encourage the spread of public information through a very low rate of postage on newspapers and other publications. There has grown up with these publications a very great business in advertising, and it is suggested that this part of the publication, which is commercial, ought to pay a higher rate than that on educational matter. This question was agitated for a considerable number of years, until 1917, when a law was passed, the effect of which was gradually to increase the rates of postage on the advertising portion of magazines and newspapers to a very considerable extent, as well as to increase the rate on the reading portion from one to one and one-half cents per pound. The country has been divided into zones and postage is charged for the advertising portion according to the distance carried—the reading portion goes at a flat rate. Advocates of the present





law maintain that certain publishers had virtually received a subsidy in the past on advertising matter, and should be made to pay more for the service rendered. The opponents of the present law maintain that advertising stimulates business and results in increasing the postal revenues in other ways, and that the increased rates now in effect make it necessary for the publications to charge the public higher subscription prices. Some of the smaller newspapers, whose subscribers are confined to a limited area, have favored the larger papers paying the increased postage, because they feel that it will work to their benefit in keeping out the larger papers. Thus we have a great many different opinions and ideas as to the merits of this law, and it must be thoroughly investigated and all sides heard in order to decide what is the equitable action in the matter.

We have reestablished the practice of shipping all monthly, semi-monthly, and bi-weekly periodicals by regular mail trains, instead of by freight. This will result in a very much speedier delivery of periodicals, and as planned, will actually save a considerable amount of money each year for the government.

At the time the freight shipment plan was adopted, in 1911, mails were handled entirely on the weight basis, and the difference in cost of transportation by freight and by passenger train was material. It was estimated at that time that there was a substantial saving each year to the Department by the freight method. Since then the basis of railway mail pay has been changed from the weight to the space method, and transportation charges by freight have steadily increased, so that considering the added expense for special force, special space, and special drayage, in connection with the freight shipment plan, we can no longer defend this method of handling periodicals.

The Joint Postal Commission, the Post Office Department, and the newspapers, themselves, are going to conduct investigations as to the cost of handling second-class mail matter. The entire question of rates on postage of various classes of mail rests on the question of what it costs to carry any particular class of matter. It is essential that accurate figures along this line be known before any contemplated changes in rates can receive consideration.

Almost 75 per cent of the mail posted is dumped upon the Post Office at the end of the day, straining the human machinery to the breaking point to get the deluge moving. Much of this congestion and delay could be avoided without any serious inconvenience to the mailer.

To awaken the public to its loss through its carelessness as to how mail is addressed, how it is prepared and when it is mailed, we have to conduct ceaseless campaigns on "Mail Early" and proper addressing of mail. Legends and slogans to arouse public interest in these campaigns is printed on letter heads, on banners, on posters, and everywhere, to confront the careless user of the mail. We are beginning in the school to teach them early the value of proper addressing of mail.

One very interesting branch of the postal service is the air mail. It is a splendid thing in itself, but it has a tremendous potential value in case of need for national defense. Last year the air mail covered 1,800,000 miles and carried 45,000,000 pieces of mail. We

are utilizing the big aerial stations we use in connection with the air mail to spread broadcast market reports to the farming communities throughout the country, and have appointed a commission to consider the feasibility of using the wireless telephone for this and other broadcasting purposes. Reports are sent out several times a day now for the benefit of farming communities, and if a wireless telephone could be made practicable, will increase the usefulness of the service many fold. Great Britain has just appointed a similar commission to study the same question. It is remarkable what some countries are doing with the wireless telephone. The receiving instrument for the purpose is pretty cheap and without any expense for upkeep. Mr. R. B. Howell, of Nebraska, is chairman of our commission and he went abroad a few days ago at his own expense to make a study of the service in Europe. This is going to mean very much indeed to the farming communities.

The general work of economizing in expenditures is progressing and we are going to save over \$15,000,000 from the estimate of the present year without any curtailing of the service.

We are endeavoring to do justice to all newspaper publications which have been barred from the mails at one price and allowed the use of the mails at a higher price. In our opinion this was not fair, as either these publications should be entirely suppressed and their publishers prosecuted or they should be given equal mailing rights in common with the other periodicals of the country. The war is over and it is our purpose to return to the ordered freedom. There shall be no hesitancy in suppressing

any publication that falls within the prohibition of the public law, but there are also laws in this country safeguarding the freedom of the press. These laws must and shall be scrupulously observed.

We are clearing up a great accumulation of old claims for indemnity on lost and damaged parcels. This will be completed about October first. Out of 176,000 claims, 80,000 of which came over from the last administration, there have been settled 140,000.

All together for us in the postal service, here is the problem and here is the solution: It is the fundamental principle of democracy that we shall help one another, that all citizens shall cooperate in the work of government. And the work of government is not merely electing men to Congress to make laws and electing a President to execute them. It is just as truly government work to collect the mails, to transmit them to their destination, and to redistribute them and deliver them, and it is fitting for every citizen of our country to regard himself as practically interested in that work.

Teamwork is the magician's wand that alone can make our governmental services what they should be, and what they can be, and what they will be, if only that means is applied. Regard me, if you will, as the wheel horse of the team, to do the hardest work. That's what I am in this office for. You must remember that it is a partnership proposition, all recognizing that we are engaged in the same transcendent problem—the public, the employees and the Department—the solution of which is to be found in the best post office service and the best government in all the world.

## A Basis for World Credits

The ter Meulen plan holds out a hope of safeguarding loans to needy nations—Not inseparable from the League of Nations

By F. O. WATTS

President, First National Bank of St. Louis

INTERNATIONAL credits were greatly injured by the war, and in the case of some nations the customary bases of credit have almost broken down. A plan had to be devised which would make it possible for those European nations which had been most injured by the war to procure commodities from other nations. The scheme most generally endorsed is that known as the ter Meulen plan.

This plan, in brief, provides for the issuing of bonds under the supervision of an International Committee made up of bankers and business men which was originally appointed by the Allied Council of the League of Nations. This International Commission will have acting under it sub-committees in each of the nations concerned. Contrary to what is commonly assumed in the United States, the operation of the plan and participation in it is not contingent upon membership in the League of Nations. Those governments or people or individuals who participate in the plan would do so as borrowers, and it would be for the creditor to decide whether he thought the plan feasible and whether he would be willing to extend

credit on the security of the ter Meulen bonds. Nor would the plan interfere with any of the public or private agencies now in operation in the various countries.

Any government which wished to have issued to it ter Meulen bonds would make application through the local committee to the international committee, stating what assets it had to pledge as a protection for the bonds issued. These assets might be specific items of property or customs receipts or the general credit of the nation itself. It would also probably be necessary to state for what purpose these credits were desired. If the International Committee was satisfied as to the assets offered, then the bonds or credits would be issued either to the particular government which might finance imports on government account or such bonds might be loaned to the citizens of the particular government which sought the credit. Perhaps the latter procedure would be more common. The International Commission having satisfied itself that the assets, taxes, or other collateral offered are satisfactory, would determine the gold value of them and the bonds would be issued up to such value.



This gold value of the bonds would express itself as a sum of dollars, pounds, or in the currency of the particular nation from which the European government desired to purchase goods either directly or through its citizens. A citizen of the country wishing to purchase goods from an exporter in some other country, after having secured permission to import such goods, would arrange with the exporter all the details of the transaction, as, for example, the rate of interest, the length of the credits, and the amount of collateral.

The importer, in the meantime, would have arranged to borrow ter Meulen bonds from his government, which bonds would be given to the exporter as a pledge for the duration of the credit. There would be no necessary relation between the date of maturity of the bonds and the maturity of the credit. If the terms of the transaction between the importer and the exporter were carried out regularly by the importer the coupons on the bond held by the exporter as collateral would be returned as they matured to the importer. The importer would, in turn, give these to his government. If the importer fulfills all the terms of the transaction, the exporter returns the pledged bonds to the importer, who, in turn, transmits them to the government. He then has returned to him whatever collateral he has pledged with his government if any such collateral has been advanced. These returned bonds are then canceled, but such canceled bonds could be reissued for the financing of further exports.

In case of default by the importer, the exporter could either hold the bonds to maturity or sell them. In the event that he offered them for sale, he must first offer them to the issuing government. There are other provisions with respect to the enforcing of payment of these bonds, but the League of Nations assumes no financial responsibility in connection with them. The bonds are, in short, the obligations of the issuing government specifically secured out of the revenues of assigned assets, either of the government itself or of its citizens who desire to import goods.

In addition the bonds are issued under the

supervision of an International Committee of business men who would be aided in the operation of the plan by sub-committees in each of the countries participating in the ter Meulen scheme. In other words, an organization is provided which should go far in accomplishing the following purposes:

First: To make assurance that the countries will not import any commodities except those which will serve a primary purpose to reestablish their industrial machinery.

Second: To examine carefully the credit standing of the country and the individual and to secure such collateral or otherwise give the best protection to the exporter of foreign markets. It is probable also that in the actual working of the plans the nations that would participate in it as borrowers would be greatly aided in the restoration of their currency to a more substantial basis.

The ter Meulen plan has been very generally approved by the Europeans and has had official sanction by a number of governments in Europe. It is not expected that the stronger financial nations will need to use this system, but only those countries which are exposed by the weakness of their credit to severe conditions and exacting demands.

The International Chamber of Commerce at its conference in London endorsed the ter Meulen plan. The special International Committee which has it in charge is headed by Sir Drummond Fraser, who has promised to appear before the annual meeting of the American Bankers' Association and discuss the plan. Sir Drummond is one of the leading business men and bankers of England, being joint managing director of the Manchester, Liverpool and District Bank, and President of the Manchester Bankers' Institute.

There is much concern in the United States today regarding the condition of our export trade. Even before the war, interest in foreign trade was growing and this was greatly stimulated by our enormous exports during the war period. Now that there has been such a decided decrease in these exports, we are seeking methods to revive them. The volume which our exports reached during the war period, both in physical units

and in dollars, ought not to be taken as a basis for our normal exports during the coming years. Perhaps we shall have to be satisfied during the next several years with a volume of exports even less than the years preceding the war period.

Up to twenty years ago the foreign trade of the United States consisted largely of raw and crude products of which food supplies were of primary importance. These commodities were necessities and in a large way sold themselves. There was, therefore, no particular problem connected with our export trade. During the past twenty-five years there has been an enormous development of our manufacturing industry and the necessity, therefore, of selling a part of these products in the foreign market. During the year 1913 we exported about \$1,750,000,000 worth of manufactured products, either those ready for consumption or for further use in manufacturing. During the same year we exported about \$1,250,000,000 worth of crude materials for use in manufacturing and foodstuffs. During the fiscal year ending 1921 we exported about \$3,500,000,000 worth of manufactures, ready for consumption and for further use in manufacturing, and during the same year about \$3,000,000,000 worth of crude materials and foodstuffs. Our total exports during the year 1913 were about \$2,500,000,000 and our total imports about \$1,750,000,000. This had changed in 1921 to exports of \$6,500,000,000 and imports of about \$3,500,000,000.

Europe, before the war, was our best customer. In 1913 we exported to Europe \$1,479,000,000 worth of goods, which was 60 per cent of our total exports. In the same year we imported from Europe \$892,000,000 worth of goods, which was 48 per cent of our total imports. The significance, therefore, of the trade between European nations and the United States is very great indeed and every effort must be made to restore it to something approximating its pre-war volume. This, however, will not be done in any magical manner. The elementary principle underlying foreign trade consists of an exchange of goods, either directly or indirectly, between the trading nations.

## Drilling for Pure Power

Engineers have often advised us to harness the waterfalls, but there is something novel in the idea of hitching your engine to a volcano and sitting back to watch it run

By WARREN BISHOP

A RECENT BOOK on America's power resources sums it all up this way: The cost of motion, and by motion is meant human labor, mechanical effort and transportation, is the chief item in the cost of living. To reduce the cost of living, therefore, we must reduce the cost of motion and the first step is the wiser use of our stored-up power whether water, oil, coal or natural gas, since all are motion awaiting use.

But what of a country where water power is out of reach and coal and oil must be imported? Here's one answer:

Hitch your engine to a volcano, not a live, active volcano, but one that has simmered down after a few hundred or a few thousand centuries and now contents itself with spouting up steam.

That has been done with success in Italy, and in Hawaii a movement is on foot to

puncture the outer slopes of Kilauea. The last territorial legislature had before it a bill appropriating \$25,000 for experimental borings, but it failed to pass.

The Italian use of latent steam of volcanic origin is in Tuscany, near the ancient Etruscan city of Volterra, one of the world's oldest centers of civilization. Here, distributed over an area of about 40 square miles, are natural steam springs, the last breathings of a volcano extinct so long ago that every surface indication of it has been worn away. The steam works its way up through crevices in the soil, forming sometimes little lake-like craters (lagoni), filled with water kept at boiling point by the subterranean steam, more often in jets of steam or boiling water (soffioni), shooting direct from the earth.

This ready-made supply of steam had been known to man for centuries, and for centuries

man had kept away from it as an evil omen. Then about 130 years ago two Italian chemists discovered boric acid in the water that boiled out of the earth. That changed the point of view of the Tuscan springs. Up to that time most of the world's supply of borax had been brought from Tibet laboriously on pack animals over the Himalayas to India, there to be shipped to Europe.

A century or more ago, Larderel, a Frenchman, started the first plant for the extraction of boric acid from these springs and soon was supplying a great part of the world's needs.

The boric acid in the steam and the water condensed from it is in small quantities and is recovered by evaporation in a series of lead-lined receptacles. As the demand increased it was found necessary to have more steam, and artificial "steam wells" were driven around the natural springs.





The natural steam works at Larderello, Italy. The capped pipes are direct connections with the underground volcanic heat and from them steam is carried to turbine engines.

This photograph was taken by Frederick G. Cottrell, former head of the Bureau of Mines, who was interested in a search for helium which led to the extinct volcanoes of Tuscany.

The well is driven by a sort of heavy steel chisel attached to a system of rigid iron rods and regularly turned to a new angle. At a depth of sixty or seventy feet steam and water are reached as a rule, but sometimes the wells are driven as deep as 500 feet. An iron tubing is sunk to line the holes, which vary from eight to sixteen inches in diameter.

The final act of well driving is a "sfulminazione" or explosion, an equivalent, perhaps, of "shooting" the well in our American oil countries, save that the steam well provides its own explosive. A piston is dropped down the tube, yanked suddenly up by an electric winch. There follows a small volcano. Mud, stones, and boiling water are shot up in the air, sometimes smashing the temporary building over the well. This lasts for some minutes and then the well settles down to giving off dry steam with a peculiar hissing noise.

Unlike oil wells, Tuscany's steam springs give no signs of drying up. The springs around Larderello, the center of the boric acid industry, yield from 3,000 to 14,000 kilograms (6,600 to 30,800 pounds) of steam an hour with a temperature at the top of the hole where the steam is superheated by friction against the tubing as high as 180°C. (356°F).

Just whence the steam comes let geologists argue. It can be had for the drilling at half a dozen places from five to twenty miles distant, for Larderello and the whole region is volcanic. That these nature-sent steam spouts have a common origin seems probable, and the boring of new ones does not diminish the output of the old ones. At Lago, for instance, some 25,000 kilograms of steam per hour were obtained from one well only, and the same amount was taken from a subsequent drilling without lessening the amount from the first.

Steam naturally suggested power, and twenty-five years ago the natural steam was used for heating water in a boiler to drive a small steam engine. Some ten years before the War, Prince Ginori Conti, the head of the boric acid works, decided that if one had a more or less tame volcano underground, it was a pity not to put it to work. He turned the natural steam directly into a piston engine. It worked, and a larger one was built to

drive the dynamo that lit the boric acid works at Larderello. That engine has now been running fifteen years.

Not long before the War a more ambitious plan was begun. It was decided to build a turbo-generator of 250 kilowatts. In this larger project a return was made to using the natural steam as fuel rather than as direct motive power. There were fears as to the effect of the gases in the steam on turbine blades and difficulties in condensing these gases.

With this equipment power was provided for various of the company's plants and sent to Volterra, more than thirty miles away. So this ancient Etruscan city, with a history that goes back to centuries before Christ, was the first to draw its electric power from the underground heat of the globe.

Now the power plant has been greatly expanded. Three units of 2,500 kilowatts each were installed during the War and a fourth is under way. Volcanic steam is used as the heating principle, generating pure water steam somewhat as in the ordinary water tube boiler. Aluminum water tubes were used to resist the action of chemicals in the natural steam and in other ways special conditions have been met by special machinery, but none of them presenting extraordinary problems. Power is sent to Siena and on to Florence, some 50 miles away, to Leghorn, to Piombino and to Massa. A still larger power plant is being planned at Lago where the steam is even more accessible and contains less gas so that it may be possible to use the steam direct instead of as fuel.

Other parts of Italy are awake to the possibilities of volcanic heat as a source of power. Her fuel needs are well known. Parts of the country are rich in water power but much of it is dependent on imported coal and the demand for electric power is constantly increasing. Experimental borings are being made near Naples at the Solfatara, a small extinct volcano.

All over the world there are regions of recent volcanic action where boiling springs and natural steam jets may yet turn factory wheels and lighthouses. It was Prince Conti's success in harnessing Italy's "soffioni" that led the scientists of the Geophysical Laboratory of the Carnegie Institution in Wash-

ington to suggest that Hawaii's sugar plantations might find a source of power in Kilauea. The problem is more difficult of approach than was that at Larderello. For one thing, boring would be vastly more difficult. The probable points of attack would be on the gentle slope leading from the outer rim of the crater where a hard lava flow covers the earth.

Dr. H. S. Washington, of the Carnegie Institution, who has made a life-long study of volcanoes and who has inspected the power plants at Larderello, believes that a diamond drill would do this work. Moreover, there would have to be a certain amount of experimental boring since surface indications are not the same as at the Tuscan plants.

Hawaii now must look abroad for her fuel, much of it coming from Japan, and the possibilities of a supply of fuel right under her feet would mean much in the development of the territory.

All over the world are regions where volcanic action might offer large supplies of power. Japan is an example. The largest producer of coal in Asia, she has the smallest reserves, but she has hot springs with possibilities of power. In New Zealand are jets of natural steam and most of her natural supply of coal is of low grade so that she annually imports half a million tons. The west coast of South America presents the same situation, scanty coal supplies and obvious sources of volcanic heat.

What of the continental United States? We are constantly being warned of our lessening coal reserves and our disappearing supply of oil, but here and there are scattered boiling springs and volcanoes whose surface activity is at a minimum. Wherever there are hot springs or spouts of steam of volcanic origin there are possibilities of usable power. Mt. Lassen and Mt. Hood are two places which come to mind. Out in Sonoma county, California, an enterprising resort proprietor is trying to find out if he can light and heat his hotel from his hot springs.

We may not have to draw on Yellowstone Park to heat and light our Western Empire, but it is one of the things that could be done, and done, the scientists say, with a minimum of disfigurement to the scenic beauty of that wonderland.

# Low Salaries and the Sales Tax

When Congress tried to burden the rich, the consumer paid it all, and more, too; a straightforward consumption levy would help the man of small means by reducing prices

By JULES S. BACHE

**A** CONSUMPTION TAX does not differentiate between the wealthy and those of moderate means. Under a consumption tax the citizen who consumes the most pays the most taxes, whether his income is big or little. For 150 years this country flourished and grew great under consumption taxes, which were the only kinds that we paid.

When we went into the war Congress planned a new way to raise the great sums needed. The plan was to make the rich man pay the taxes. This was to be accomplished mainly through the Excess Profits taxes on business and the surtaxes on income (surtaxes which ran up to unheard of percentages as the incomes were larger—73 per cent at the highest was to be taken out of the largest).

What happened was that wealthy people out of business began immediately to put their fortunes into tax-exempt securities, and the amount they pay in taxes today is negligible. The business concerns, to avoid the Excess Profits tax, added it to the price of their goods, and the consumer paid it all and more, too.

The result is that our taxes once more, notwithstanding the intention of Congress, are consumption taxes, but consumption taxes of the most objectionable character, and the consumer is paying in some instances six or seven times as much as he would have to pay under a straight, honest consumption tax. Now the Sales Tax is just that, a straight, honest consumption tax, direct and open, and all paid by the consumer.

One of the first questions one hears from anyone to whom the Sales Tax is proposed (from one who has not given the matter any thought) is, "Does it not place the burden on the low-income man?"

First of all, it is not a burden. The tax is so small that nobody feels it. It is added to the price of things, and not collected from the purchaser as a tax, so that it is not a nuisance tax like the fifty-one sales taxes in the present law (of the soda-water, ice-cream, and movie-ticket variety).

It is not a burden, because it removes the many times greater price burdens produced by taxes, and which the consumer is now bearing.

It is not a burden, because the amount which would be added to the cost of things would be inconsiderable—not on the average over 3½ per cent. For instance, on a pair of men's shoes retailing at \$7.00 the one per cent tax added at each stage from raw material to finished product would increase the price only 24 cents:

	Tax at 1%
1. Raw hide, raw materials, etc. \$1.56	\$.0156
2. Tanner sells leather for . . . . 2.82	.0282
3. Leather and findings as sold 3.13	.0313
4. Manufacturer sells pair of shoes to jobber . . . . . 3.88	.0388
5. Jobber sells to the retailer . . 4.67	.0467
6. Retailer sells to consumer . . 7.00	.0700
Total tax . . . . .	\$.2306

Or 3.3 per cent of the retail price.

Would the pair of shoes still continue to

**S**ENTIMENT among American business men is strongly in favor of a sales tax—that was made evident by the overwhelming vote in its favor on the referendum put out recently by the Chamber of Commerce of the United States.

Perhaps the most effective argument made against this form of levy is that it puts an unequal burden upon the man who works for wages or gets a small salary. For instance, it is said that a man who makes \$2,000 a year and has a wife and child to support, will spend practically everything he makes, and that he will pay a tax on everything he buys. A second man makes \$50,000 a year and spends half of his income. Thus the first consumer pays on 100 per cent of his earnings while the other pays on but 50 per cent.

We asked Mr. Bache to answer this question for our readers. He is a New York banker who is interested in a variety of undertakings; added to his business experience is the fact that he has made a careful study of taxation. —THE EDITOR.

sell for \$7.00, or for, say, \$7.23? That would depend upon competition. The effect of the sales tax in any case is seen to be negligible. On other articles the percentage is similarly low. On clothes it is 2.61 per cent, on beef 2.25 per cent, on pork 1.87 per cent, on bread 2 per cent (or less than one sixth of a cent per loaf), etc., etc.

The higher-income people would pay more under the Sales Tax than those of moderate means, because they spend more, but they would rarely, of course, pay as much in proportion. The income tax, however, would equalize that, and provide for tax payment in proportion to wealth.

We are facing an emergency. The vast amount needed to run the Government—heritage of the War—can not be raised under the present system. The endeavor to make profitable business stand the excessive burden has resulted in commercial stagnation, has swept capital out of business, strangled enterprise, and fostered unemployment. It has been a distressing failure, and the whole burden of taxation has fallen on the consumer.

A fair and wide distribution of the burden in such a way that it will not be felt must be substituted. The Sales Tax is the only kind of tax which fills the requirements in every particular.

The objection that the burden is borne by the low-income man is absolutely indefensible. The chief merit of the Sales Tax is the chief argument of its opponents. The Sales Tax, as I have said, is a consumption tax, pure and simple. But as I have said, for 150 years, from a Federal standpoint, this country never had anything else except consumption taxes. We raised \$1,000,000,000 a year (and it is not hard to remember the first billion dollar Congress), entirely and exclusively by consumption taxes.

They were the customs collected at our ports; they were the excise taxes added on the purchases of tobacco and liquor; they were every kind of tax that was paid indirectly by the ultimate consumer, and they raised \$1,000,000,000, and nobody complained.

Nobody in street cars, or in railroad smoking cars, ever had a neighbor speak to him about taxation and its drawbacks. No business man ever complained that he could not raise all the money he needed in his business because taxation had driven money into hiding where business could not get it.

It is only when we raise our money through consumption taxes that money can not hide from taxation. The amount of money that this country needs, placed at \$4,000,000,000 in proportion to the \$1,000,000,000 that was raised by the first billion-dollar Congress, is almost negligible. If we compare the present volume of business of this country, if we compare the wealth of the country and the number of so-called millionaires, with the same statistics of that day, present-day figures are in almost every respect fourfold.

Why, therefore, should \$4,000,000,000 today be such a terrific burden, when \$1,000,000,000 was not at that time? It is because of the method of raising it.

This Government collected \$6,000,000,000 of taxes in 1919, and I am very sure that the people were taxed \$15,000,000,000 in order that the Government might get \$6,000,000,000. I cannot prove this, but it has been reliably ascertained that 23.2 per cent was added to the cost of things by the present method of taxation, and that cost the consumer paid in full.

Now the merit of a sales tax is that every cent that is charged to the ultimate consumer for taxation will go to the Government.

This problem of taking the burden away from business is purely and simply up to the American business men. If he will study the question first—and it is the easiest question in the world to study: What is a sales tax; what is the best sales tax and does he want it? And when he decides that he does want it, and goes out to get it, then the burden will be lifted. Or, if he does not get it, he has the same opportunity eighteen months from now that he had last November, of sending somebody to Washington who will give it to him.

And that the business men of this country are already well posted on this question is shown by the result of the United States Chamber of Commerce recent referendum on the Sales Tax. That result was a clear, unequivocal expression in favor of a sales tax, by an overwhelming majority of the best business minds of the country in every part of the country.

The Sales Tax does not work any injustice to the low-income man. It takes the crushing pressure of taxes off of business, and distributes the burden so widely, in such diminished percentages upon each individual, that it becomes no longer a burden, and is not either seen or felt.

Above all, it allows industry to function normally again, and unless this is done there can be no prosperity.



# How We Are Helping Exports

The methods and achievements of the governmental agency that has been intrusted with the money and the power to aid in breaking the credit deadlock

By EUGENE MEYER, JR.

*Managing Director, War Finance Corporation*

**W**HEN the present Administration took office on March 4 it lost no time in making clear its intention to do everything that properly could be done by the Government to aid the business of the country as a whole. One element in its program was to make fully effective the resolution passed by the Congress directing the resumption of activity by the War Finance Corporation under the existing law, which contemplated, especially, aid in financing the exportation of American products.

The great American export product is raw cotton, and it was natural, therefore, for the directors of the corporation to turn their attention first to this important factor in the American economic structure. Meetings were held in Washington, Atlanta, and New Orleans, with representative bankers and exporters, to consider the best methods of financing exports of cotton on credit. But it soon became clear that a change had come over the European buyer. He was no longer anxious to buy on credit as he had been after the Armistice and up to the latter part of 1920. The depreciation and the fluctuations in exchange had caused him heavy losses on purchase on credit, and he no longer dared to buy on that basis.

## Meeting a Changed Situation

**T**HE Directors of the War Finance Corporation recognized the changed situation, and, as a first step, offered to make advances to exporters to carry stocks of American cotton in foreign warehouses, and some advances were made for this purpose. While this proved to be helpful, it did not meet the situation in a large way. It was then suggested by dealers that it would be desirable to lend on cotton stored in America, which was under contract for sale to foreigners, and the War Finance Corporation agreed to render such assistance; but applications were not filed on a sufficiently large scale to become an important factor.

Finally, at the beginning of July, representatives of the "Staple Cotton Cooperative Association," in Mississippi, requested the

assistance of the War Finance Corporation in carrying cotton in American warehouses with a view to later export. The corporation approved the application with a definite understanding from the Association that the full amount advanced by the corporation would be repaid out of the proceeds of export sales.

Thus the corporation changed its practice in connection with our principal export commodity from a method based upon assistance in financing immediate export on deferred payment to assistance in financing deferred export for prompt payment.

This development was a result of our actual contact with the business men of the country, growers, exporters, and bankers. And in the meanwhile, cumulative evidence of the wisdom of this change of policy was received from returning American bankers and business men who had been traveling in Europe, and from European merchants and bankers who came to America.

A special representative of the Department of Agriculture who was sent to Europe in the spring of this year to study the markets for American agricultural products, wrote in his report, in part, as follows:

In former times the cotton merchants and manufacturers of Europe purchased their requirements of raw material in the South during September, October, November, and December. They shipped this cotton to the leading ports of Europe, reclassified it, and sold it to the mills. They did a merchant's business in cotton and made all the profits out of it they could. The people of the South, the cotton growers, have learned to expect that form of business and regard it as normal. For at least a year now the system of doing business has changed. Merchants and mills do not have the capital to buy large quantities in the fall and to hold it until it is sold or needed later on.

They are following a h a n d - t o - m o u t h

business, and from what I hear propose to continue such method of purchasing cotton. This change in method was at least partially the cause of the great decline in the price of cotton witnessed during the past year.

This change in the situation, as compared to our international position during the period subsequent to the Armistice, is of great importance; and, in adjusting our business to the new conditions, we must plan to sell our agricultural products, and indeed all other products, much more gradually than we did in former years. In proportion to the need for slower marketing there is a corresponding need for financing commodities here in America in larger quantities and for a longer period.

## Figures—Not Generalities

**A**CTUAL figures are always more convincing than generalities, and convincing figures are not lacking in this case. In 1910-1911, 81 per cent of the exports for the entire cotton year were concentrated in the six months from September to February, inclusive. In 1919-1920, only 51 per cent of the cotton year's exports were forwarded during the same months. Translated into concrete terms, this means that we must carry forward into the second six months of the crop year 1,800,000 bales that formerly would have been exported in the first six months. And the same conditions govern our other products, both agricultural and manufactured.

The explanation of the changed attitude in Europe is, of course, quite simple. It is due to the violent fluctuations in exchange.

An aeroplane view of cotton storage warehouses at New Orleans, said to be the largest of the kind in the world. From this center the great American product travels to ports on every sea to be spun into clothes for humanity. In aiding the southern farmer to cash his crop, Mr. Meyer points out that Uncle Sam is liberating money that will go to all parts of the country in payment for much-needed goods



A conservative merchant will not buy merchandise payable in dollars, which he has to pay for in foreign currency, until he knows what he is going to get for the manufactured product in terms of foreign currency. If we were to take the pound sterling, which ordinarily fluctuates less violently than the continental currencies, we would note that during the year 1920 the January price was close to \$4 for the pound. The low price in February was \$3.18; at the end of March, it had returned to \$4. It dropped again in November to \$3.34, and early this year was again selling close to \$4.

No sound foreign merchant can afford to base his business on a deferred payment in dollars when he has to contemplate the risk of such violent fluctuations in the terms on which he will have to convert the proceeds of his manufactured goods into our American dollars.

The new legislation recently passed by the Congress, therefore, was drawn with a view rather to the domestic credit situation than to credits which foreign borrowers either do not want or find themselves unable to take on account of the exchange risks involved in dollar credits. It is too soon yet to speak of the results of the new legislation, but I believe that the law makes available methods by which substantial relief can be given to our agricultural and business interests on a legitimate and safe basis. Not the least of these results will be, I hope, increased confidence on the part of buyers so that they may resume the carrying of normal stocks.

#### It Always Happens

**T**HERE IS nothing unusual in the spectacle of abnormally low stocks of goods; in fact, this always follows a long continued and extensive decline in prices. Rising prices always culminate in over-buying of goods, and declining prices always find the market at a given moment bare of needed goods.

The extreme reduction of stocks in the hands of retailers, wholesalers, and manufacturers forces back upon the primary producer the burden of carrying the commodities. Neither his own resources nor the resources of the smaller banks in the agricultural districts are adequate for this heavy burden, so production is crippled, and, as consumption does continue at a greater or lesser degree at all times, a readjustment ultimately takes place. So-called surpluses are found, in many cases, to be more imaginary than real, and they seem to disappear as if by magic; it becomes clear, in fact, that they represent uneven distribution of commodities rather than an excess in aggregate quantity.

The recent improvement in the market for cotton is an interesting case in point. As soon as there was confidence that the price would not go lower, buyers came into the market, both at home and abroad, with considerable effect on the price of cotton and

of cotton goods. It would have been better, in my opinion, if our merchants had analyzed the exact conditions earlier and acted accordingly, because these violent readjustments are not desirable from any point of view. The weather in the South is credited with an undue part in the recent change in the market for cotton and cotton goods. How could the reduction of this year's crop by a small fraction affect the price of the commodity by 40 per cent to 50 per cent, when there is on hand a quantity of cotton equal to the whole of the new crop?

I should like to add here a word about the effect of this readjustment in the cotton situation on the South, and upon the business of the country generally. It is not within the province of the War Finance Corporation to conduct its business with the view to affecting prices. It does come within its duty to offer needed financial relief on a sound basis in view of the conditions, and in accordance with its legal authority. If prices are depressed because of inadequate financing rather than because of inadequate demand, it would be natural for prices to be affected favorably by providing adequate financing where it has been lacking. But financing will not stimulate prices where the demand does not exist. The copper producers provided \$40,000,000 several months ago to finance the surplus of raw copper, but this apparently has had little or no effect on the price so far, in spite of the fact that production has been reduced to the minimum. The reason is that the demand is not yet there.

The improvement in the cotton and cotton goods market will, in my opinion, prove to be very beneficial, not only to the South, but to the entire country. For the South it means new confidence, new activity, and new courage. It means that many of the banks in that section, which could not figure themselves solvent on going values a few months ago, will find themselves restored to solvency and useful activity. It means an increase in the general business activity and prosperity of the South entirely apart from the interests of the growers of cotton. It means a new buying power. The South will again be a large purchaser of Northern products, of shoes, of cotton goods, of woollen goods, of

furniture, of automobiles, of fertilizers, and of agricultural implements. The revival of no other single industry could have so widespread an effect, in my opinion, at this time, upon the whole of the Nation's business.

Many letters from different parts of the South, from bankers, as well as representatives of the large cooperative organizations, tell us that the work of the War Finance Corporation has been helpful. We like to believe it has. We hope it has. We hope, too, that under the enlarged powers the corporation's activities may prove to be helpful in other agricultural districts, in other industries, and, through them, to the Nation at large.

#### What Has Been Done

**P**ERHAPS a statement of the advances approved and under negotiation by or with the War Finance Corporation up to the passage of the new Act may be of some interest to the readers of THE NATION'S BUSINESS. Up to August 26, 1921, advances had been approved, or were under negotiation, to the amount of \$67,075,369.77, of which \$33,600,369.77 represents advances approved. In this connection it should be said that at times requests for advances are withdrawn after approval, perhaps because the applicant later finds it possible to obtain the required funds in other ways.

Approximately 95 per cent of the total business represents agricultural commodities. The largest transactions relate to cotton, the Nation's greatest single export commodity, on which the corporation, up to the above date, had agreed to loan \$17,313,900, and in addition had under consideration applications totaling \$21,225,000. Business under negotiation included financing 200,000 bales for a cooperative association in Texas and 300,000 bales for a similar organization in Texas. The figure given above for pending and approved applications represents a total of some 1,200,000 bales of cotton.

The business under negotiation in connection with wheat exports represents principally \$11,000,000 on approximately 13,500,000 bushels. Assistance has been given in financing the exportation of approximately 7,000 hogsheads of tobacco, involving \$1,148,600.

The corporation also agreed to advance \$8,500,000 to banking institutions on shipments of condensed milk, and \$400,000 to a cooperative association on exports of California canned fruits and vegetables. Loans on meat products, totaling \$2,000,000 have been approved, and other advances agreed to include the following: On railway equipment to China, \$2,925,000; on copper and sheet steel to Italy, \$325,600; and on sugar mill machinery to Cuba, \$287,500.

It should be added that many other propositions have been submitted to the corporation, but, as they are still in the initial stages of consideration, they have not been incorporated in this statement.

#### What the Corporation Has Accomplished

**T**HE accompanying table shows, in summary form, the status of the business of the War Finance Corporation up to August 26, 1921.

Advances Approved or Under Negotiation	Approved	Under Negotiation
Cotton.....	\$17,313,900.00	\$21,225,000
Tobacco.....	1,848,369.77	
Wheat.....		11,000,000
Condensed milk.....	8,500,000.00	
Canned fruit and vegetables.....	400,000.00	1,250,000
Meat products.....	2,000,000.00	
Railroad equipment.....	2,925,000.00	
Copper.....	145,600.00	
Steel.....	180,000.00	
Sugar mill machinery.....	287,500.00	
Totals.....	\$33,600,369.77	\$33,475,000
To banking institutions.....	\$23,032,127.24	\$5,000,000
To exporters.....	10,568,242.53	28,475,000
Totals.....	\$33,600,369.77	\$33,475,000
Grand Total.....	\$67,075,369.77	



# Credit, Tariff and Foreign Trade

Some obstacles that must be overcome before this country gets its share of world business.

It is the power to buy, not the power to consume, that needs stimulus

By C. H. BENTLEY

*Vice-President, California Packing Corporation*

OUR COUNTRY has passed through the various phases of economic development in agriculture and manufacturing until production, stimulated by the world demand, has brought us to the point of requiring foreign markets. The prosperity of our people will depend in larger measure than ever before upon our international relations, upon foreign markets for American products, and upon our ability and willingness to buy as well as sell in foreign markets. The general depression in our country came from the fact that we have been unable to export our surplus production of agriculture and manufacture. Europe is in need of many of these very products, but is unable to pay for them nor give satisfactory credit. No one can take the risk of credits until there is a more stable condition politically and socially, as well as economically. Meantime manufacturing production in Europe is discouraged from the lack of raw materials and from the lack of markets for the products. The people are beset with famine, threatened with pestilence, and present a most fertile field for discontent and fanaticism. So, in addition to the larger and more vital question of the protection of our civilization, come agriculture and commerce calling upon our Government to cooperate with Europe in a genuine effort to establish peace and order.

With the extension of trade into foreign fields come added problems for our credit men unless the banks actually assume the credit risk or unless foreign credit underwriters prove to be successful and reliable. However, these increased responsibilities apparently come from the increase of territory rather than from greater risk, for it is reported that in a Boston conference of representative people interested in foreign credits, it was stated that foreign credit losses on branded merchandise shipped overseas in a recent year were less than one-quarter of one per cent—an average considerably below that of domestic trade of the same firms. Moreover, as Mr. Hoover is reported to have said, it is better to give credit abroad than to have goods rotting in warehouses at home. With the sudden decline in our exports, we are feeling the full force of the economic law that we shall not sell unless we also buy and invest. Our farmers are discouraged, our factories are partly idle—not because the world consumption can not keep up with increasing production, but because the purchasing power of our customers has fallen. Unless we, as the great creditor nation, establish credits and make investments to restore the buying power of the foreign nations, prostrate as the result of the war, we can not hope for any substantial improvement in the market for the products of our farms, or forests, or mines, or factories. Long-term credits are needed—beyond the ability

ABOUT FOUR YEARS ago THE NATION'S BUSINESS took from one of the monthly reports of the Department of Commerce a cut-and-dried statement of our exports for that month. Slightly changing the phraseology, here is what it said:

American manufacturers sold and distributed blacking for boots in forty-four countries. They sent brushes to Paris, to Campeche, Johannesburg, and Singapore. Their bicycles went forth to appear on the roads of Denmark, the streets of Bangkok, and the highways and byways of forty other countries. Enough baking powder to make 300,000,000 biscuits for people who speak not our language. Clocks they fashioned to tick in the Azores and Patagonia, on the Gold Coast, in the wild rubber camps of Peru, and on the orderly rubber plantations of Java. False teeth they designed for Spain, Brazil, Venezuela, and South Africa. Glassware they supplied the women folk of Dutch Guiana, Ecuador, Switzerland, and Russia, fifty countries in all. Bathtubs they delivered to Norwegians, Australians, Argentinians, and twenty-five other lands in between these extremes.

We are accused of being provincial—of having no sense of international commerce and foreign trade. Yet if this could have been done years ago without such a sense, it can be multiplied today a hundred-fold. Mr. Bentley shows in the accompanying article how it can be done.—THE EDITOR.

of exporters or of commercial banks. Organizations created under the Edge Law, such as the Foreign Trade Financing Corporation, should be encouraged. Their business is to finance foreign trade, beginning where the commercial banks should leave off. The investing public must be educated and induced to buy debentures issued by such institutions against approved foreign securities. In this manner shall we develop foreign commerce and regain prosperity at home. It is hoped that some such agencies may assume the actual credit risk of transactions in Central Europe and not fall back upon the shipper in case of trouble.

Meantime, it is reported that enterprising American firms, and others, are developing German trade on a barter basis. Cotton from this country is furnished to German mills to be worked up on a commission basis, the manufacturer being allowed to retain a certain proportion of the cotton for his own business. This system provides our merchants with stocks of goods suitable for the European markets; it gives employment to German workmen, and keeps factories running. It is also stated that food and fuel are furnished from this country for the use of such concerns as are operating in this fashion. Holland, Switzerland, and other countries are bartering for exchange of products—not only with Germany, but with other nations of Central Europe, endeavoring to solve questions of credit and exchange.

The plan recently discussed at the White House dinner with certain eminent bankers seems open to serious objection. If we require our credits in foreign nations to be used exclusively for the purchase of our products, it may be that we shall hardly reach normal conditions in trade and attain prosperity so soon as we may without such hard and fast restrictions.

It was hoped that the actual beginning of payments of indemnities by Germany to the Allies would bring immediate improvement in exchange and in European trade. It has improved the tone of business apparently, but it must be remembered that Germany can pay little in gold or in foreign securities; her currency is of little value and meantime the Allied Governments are endeavoring to prevent importation of German products. The Allies want food and raw materials for their industries. They want to buy these in other countries and have Germany pay for them. To do this, Germany must sell to the nations supplying the food and raw materials, and must sell in larger volume than she buys. For example, Germany would have to sell potash, porcelain, and chemicals to the United States and establish her credit here by selling us more than she buys from us in the way of cotton and copper. With the credit thus established, Germany might pay for foodstuffs and cotton to be

shipped to the Allies. It has been said, by way of illustration, that if we want to sell lumber to France to rebuild, we shall have to buy German toys; if we want to sell wheat to Belgium, we shall have to buy German chemicals. The idea of underwriting a plan for financing the payment of the indemnities would postpone the day of reckoning, but possibly would lead to serious disappointment.

Our success in foreign trade and our ability to maintain anything like our recent scale of production will depend on tariff legislation perhaps more than on any other thing which the Government may undertake. Within the past few years this country has changed from the debtor to the creditor nation—from a nation engrossed in the internal development of its natural resources to one producing in excess of domestic demand and requiring foreign markets.

Some of the so-called "infant" industries have cast aside their swaddling clothes, and, in their strength, asking no stimulants, no subsidies, are seeking the equal opportunity to maintain such growth and development in the commercial world as their enterprise may deserve. A high tariff wall restricting imports will not only invite retaliation, delay adjustment of exchange, and cut off our foreign markets, but hinder the great nations of Europe from paying back the loans made to them by us during the war. It may be desirable to put a tariff on some imported articles for purposes of revenue, and for the

protection of industries presumed to be essential for national defense; but perhaps the commercial justification lies in the need of something to trade with in our negotiations for reciprocal tariffs or commercial treaties with foreign nations.

It is unfortunate that we, in our Tariff Law of 1913, should have opened wide our doors, laying no tariff restrictions on products coming from countries which persist in levying unreasonable duties upon products which we, with reason, wish to export to them. We must have something to offer in exchange for reductions in such duties. We must have something to trade with.

Great Britain, France, and Holland are granting special rates of duty upon the products of their colonies and dependencies, thereby diverting much of the trade which might naturally come to this country. They and other nations are making preferential tariffs with other countries and discriminating against us. Our system of tariff making is too slow and too inflexible to meet these rapidly changing conditions. We offer other nations a vast market for their wares, and we offer to sell supplies of raw materials without export taxes or discrimination; so we have the right to expect similar treat-

ment in all foreign markets, so long as our own tariffs are reasonable.

In our new tariff law we should provide the means for dealing with nations which discriminate against us directly or indirectly, or which, without reason, maintain prohibitive tariffs on products coming chiefly from this country, even though the tariffs are not discriminatory. In the recent convention of the National Manufacturers' Association, the Ambassadors and other distinguished representatives of twelve different nations appeared by invitation to speak regarding their trade relations with this country. Each of them spoke in a diplomatic and entirely pertinent way of the danger of high protective tariffs as inviting retaliation, and all they said should be most carefully considered. Incidentally, most of the nations represented are levying higher import duties on some important American products than we are levying on similar products from them.

With our natural resources, with our agricultural and industrial development, with capital, with intelligent and skilled labor, with a people noted for invention and enterprise, with production far exceeding domestic requirements, and with ships, we are in a

fortunate position in this contest for the world trade.

With the adoption of the Monroe Doctrine we abandoned the policy of isolation. Cleveland reaffirmed the doctrine in his historic message in regard to the Venezuelan boundary; Roosevelt insisted that we should be prepared to defend it. In the World War we fought for our own protection and civilization. We shall be deeply involved in foreign economic readjustments for generations to come and our Government must adopt a foreign policy. It seems inconsistent for Congress to be granting appropriations for the development of foreign trade and at the same time incurring the hostility of nations most likely to trade with us by proposing legislation of an extremely protective character. Commerce has been in many cases the forerunner of peace and civilization. With a consistent, well-considered foreign policy adopted by our Government, our foreign trade will tend to ensure peace and prosperity throughout the world; but if allowed to drift without chart or compass, with narrow, ill-considered regulations and conflict in command, we shall invite controversies abroad and remain in idleness and discontent at home.

## Our Tariff as Others See It

The danger that lies in our checking foreign trade at this time as set forth by Signor Tittoni of Italy, Mr. Balfour of England, and Señor Gamba of Cuba

**T**ARIFFS are not made with an eye to helping along industry in other lands, but it is well that tariffs should be made with our eyes open. We are learning new lessons in the internationalism of industry, and the views of the man on the other side are worth listening to. For that reason THE NATION'S BUSINESS presents these three opinions of our tariff proposals as they impress leaders of industrial thought:

An authorized interview with Signor Tomasso Tittoni, who points out the danger to the buying power of Italy; an article by Señor Francisco Gamba, of the Cuban Commercial Commission, who believes that higher duties on sugar will cost us much trade with Cuba, and extracts from the testimony before the Senate Finance Committee of Arthur Balfour of Sheffield, England, who in opposing increased duties on high-speed steel said "all we ask is to let us live and work and pay you back."

### Lessening Italy's Buying Power

Some frank comment by an eminent Italian authority on American tariff policies and their effect on overseas customers

*An Interview with Signor Tittoni by Ernest Greenwood*

**T**HE PRINCIPAL countries seem to have acquired a craving for isolation and have formed the habit of taking constantly increasing doses of such specifics as a high protective tariff in order to satisfy that craving."

This is the opinion of Signor Tomasso Tittoni, thrice Minister of Foreign Affairs of Italy, member of the Permanent Court of Arbitration at The Hague since 1912, and First President of the Italian Delegation at the League of Nations, when I asked him what he thought of our new tariff bill. Signor Tittoni has been lecturing on international relations at Williams College, Williamstown, Mass.

I found Signor Tittoni singularly well informed about American affairs. He is one of Italy's most distinguished citizens, and has long been a dominant figure in world politics. It was Tittoni, as Minister of Foreign Affairs

for Italy, who first promulgated the program to accept President Wilson's decision as to the free status of Fiume, to be followed by negotiations for a frontier line demarked in the Treaty of London. His attitude toward the United States and the importance he attached to their friendship emerges clearly from the speeches he delivered in the Italian Parliament in September, 1919.

I said to him:

"Mr. Arthur Balfour, head of a committee representing Sheffield, England, high speed steel industry, recently appeared before the Finance Committee of the United States Senate and made the statement that if the duties proposed in the Fordney bill were enacted it would mean that several of the great Sheffield firms would have to go out of business. What is your opinion of a general policy of a high protective tariff?"

It was this question which brought forth

the observation that the people were acquiring the habit of isolation. "You seem to forget," said Signor Tittoni, "that a constantly increasing tariff on imports from other countries has for its final effect a reduction in the buying power of those countries. If one country restricts its imports from other countries by prohibitive tariffs for the purpose of protecting this or that industry, you must expect corresponding reductions in the export business."

"What do you think of Mr. Balfour's statement that the proposed tariff on steel will add to unemployment in England," I asked. "Do you think this could be applied as a general proposition to a high tariff on imports from other countries?"

"In so far as Italy is concerned we have, in my opinion, reached the peak of unemployment. Conditions are improving in my country slowly but surely. On the other hand, it is my observation that other richer States have not yet reached the high-water mark of unemployment. I think that statesmen should give very careful and earnest consideration to employment conditions in other countries before they adopt any proposal which might add to the distress of the working classes in those countries."

"What do you think of the bargaining features in our new tariff bill," Signor Tittoni was asked. "Are you in accord with the idea of making special concessions in the matter of import duties to those countries who make special concessions to us?"

"Yes, I am in accord with that idea. I think that we all should do everything in our power to mutually agree to do things by which we can help each other."

"But Italy imposes some very high tariffs on American goods? For example, your import duty on American wheat is 10 lire per quintal, which, at the normal rate of exchange,



is about \$1.90 per 220 pounds, or approximately 47 cents a bushel. You use this wheat to make macaroni, of which the United States buys about 150,000,000 pounds. On a valuation basis your tariff on American wheat is very much higher than our tariff on Italian macaroni. Your tariff on cotton yarn is from 18 to 60 lire per quintel, which is prohibitive, while raw silk, of which the United States buys about \$9,000,000 worth from Italy, is on our free list. Your tariff on tobacco, of which we ship you \$6,000,000 worth a year, is almost prohibitive. Your duty on cigarettes alone is 130 lire per quintel, or at the normal rate of exchange, \$26 for 220 pounds, or over 11 cents a pound."

Signor Tittoni thought for a few moments, and then answered:

"When a duty on a given product is not so high as to hinder the importation, it does not affect the foreign country from which the product comes, but merely strikes the consumer of the country which levies the duty. Such is the case of wheat, of which the amount required by Italy depends exclusively on the yearly increase or diminution of the home production. The same is the case with cotton, the importation of which depends not on the duty but on the needs of Italian textile industries."

As to the other duties, the effects of which he could not value at the moment, he thinks that Italy, in any case, would be very glad to come to an agreement with the United States, based on reciprocity.

"What do you think of our new immigration law, which restricts immigration from any one country to 3 per cent of that country's nationals resident in the United States," I asked.

"I have fully developed this subject in my last lecture at Williamstown, which will soon be published. I can not but refer myself to what I have there said.

"Matters of emigration and immigration should be matters of agreement between nations which will protect their mutual interests. There can, of course, be no objection to the United States restricting momentarily its immigration in order to meet domestic conditions. I do think, however, that there is a compensating feature in the number of aliens which leave the United States each year and return home. If you are going to restrict the immigration from Italy to a percentage of the number of Italians living



in the United States according to one of your censuses, you should make allowances for the Italians who leave the United States to return home each year. In other words, you should, in addition to your quota, allow a corresponding number of immigrants from Italy to take the place of those who have left America."

With regard to the League of Nations, Signor Tittoni believes that the adhesion of the United States is indispensable to its working. Generally speaking, all the nations of the world should belong to it in order to have the support of the world's public opinion, without which its authority would be weak.

Signor Tittoni called my attention, rather eagerly, to the fact that the Italian member of the Supreme Council was not hampered by any instructions whatsoever from his Government. He said that Italy considered this representative as serving in a judicial capacity, or what we would call a magistrate. He is absolutely free to follow the dictates of his own judgment, and the policy of the Italian Government in League of Nations matters has always been most liberal.

Commercial Reciprocity in its integrity be continued.

It is, of course, sugar that is our first concern, since Cuba supplies more than half the sugar consumed in the United States. On May 27, 1921, Cuba was selling her sugar at 3.875 cents a pound. The Emergency Tariff Act went into effect on the 28th, immediately thereafter Cuban sugar depreciated to about \$2.00 per bag. This means, on our production of 26,000,000 bags, a loss of \$52,000,000 a year; but confining our figures to this year's crop, as 16,000,000 bags were unshipped at the time the Emergency Tariff Act was signed, we may say that Cuba had an actual loss of \$32,000,000 over night.

The causes of the present financial situation in Cuba may be reduced to a single one—an oversupply of sugar due to the carrying over of about 300,000 tons of last year's crop and the large production made this year. The carry-over was the result of the worldwide inflation of 1920, and the large production was due to the strenuous efforts made by Cuba during the last two years of the World War to meet the Allies' pressing demands for sugar.

The above reasons, added to the natural expenditures due to commercial and industrial expansion, and perhaps to a certain extravagance which generally comes with prosperity—a human weakness which is common to all peoples under the same circumstances—brought about a general collapse of the Cuban banks, resulting in enormous losses to the depositors and making it very difficult, and in some cases impossible, for our planters and financiers to conduct their business on a proper and sound basis.

If Cuba's sugar yield be threatened it will bring about the collapse of our economic structure, with immense losses to the American investors, to the present American creditors, to the American manufacturers, farmers, and exporters at large, who will lose a market that ranks fourth in importance in the world today and which may still be developed further; and with a positive loss to the American consumer of sugar, who will eventually have to import more than 50 per cent of his total consumption from other countries—from countries which produce sugar at a higher cost and on which they will have to pay heavier freights.

The United States and her insular possessions cannot produce, according to the opinion of experts on the subject, much more than 2,000,000 tons of raw sugar, and as the consumption, on the other hand, is increasing rapidly and will soon reach the five million mark, it seems to us that far from discouraging a cheap and large producer of sugar lying at your very doors, it should be a wiser policy to encourage the only foreign production of this article which, from the business standpoint of investment and other reciprocal advantages, is as truly American as that of any State in the Union.

The present and the proposed tariff are detrimental, if not destructive of Cuba's chief industry upon which its economic structure depends, and they imperil not only the trade and commerce of the United States with Cuba but your capital investment with us.

A heavy burden menaces our tobacco growers and our cigar manufacturers. As to leaf tobacco, we earnestly urge that the rates in the tariff of 1913 on leaf tobacco be restored. These rates prevailed during the last fifty years and over, and the business between both countries is established upon this basis. The proposed changes will be detrimental to all concerned, including the

## Cuba's Sugar and Our Duties

Proposed duties menace the chief industry of island in the opinion of the cane growers—Think tobacco also unfairly treated

By FRANCISCO GAMBA

*of the Cuban Commercial Mission to the United States*

THE commercial life of Cuba, even the economic stability of the Cuban Government are gravely imperilled by the present Emergency Tariff Act and the proposed Fordney Tariff. It is this danger which has led myself and my associates on the Cuban Commercial Mission to come to your country to lay before your Secretary of State the lamentable danger which threatens us.

The United States is Cuba's chief customer for her sugar and her tobacco, and, in turn, we are among the largest buyers from your country, ranking fourth in a list of the twenty nations who chiefly import from you. It is with this knowledge of the importance of the United States to Cuba, and I venture

to say of Cuba to the United States, that I and my associates are appealing for more considerate treatment.

Our Commercial Mission has suggested that the duties on Cuban products and manufactured articles, existing prior to the enactment of the Emergency Tariff Act be reestablished, or, in the alternative, that the present 20 per cent duty preferential awarded Cuba by the Treaty of Commercial Reciprocity of 1902 be increased from 20 per cent to 50 per cent, either by treaty or legislation, so that the net duty on Cuban products shall not exceed those existing previous to the Emergency Tariff Act and that under all circumstances, Article VIII of the Treaty of

American farmer, without creating a larger revenue to the government, as a matter of fact, it will produce less revenue.

Our Commission has not undertaken to say what the duties should be on Cuban cigars. We only ask your government not to levy on them prohibitive duties; to help us to work if not to prosper, although if prosperity should come to use it would also mean prosperity for your own industries, in which our full purchasing power is spent, as it has been shown in recent years. The present duty, if not reduced to meet our present economic depression, should at least not be revised upward to the detriment of this industry in Cuba and the United States.

### "Let Us Work and Pay"

**ARTHUR BALFOUR**, former president of the Sheffield Chamber of Commerce and one of the leading makers of high-speed steel in England, appeared recently before the Senate Finance Committee and presented the case of the makers of tool steel.

"At the present time," explained Mr. Balfour, "the fine steel importation is only 2 per cent of the whole. That is a very small percentage, but a very useful one, as it makes an incentive to the manufacturers here and a great incentive to us to do the best that we can. We are satisfied that if the tariff went through as it is at present written it would put us out of business. There is no question about that. I understand that it is not your desire to put anybody out of business entirely. We could not possibly send you steel under that tariff.

"There is another view which bears very strongly on the amount of the tariff, and that is the valuation question. We have got along very well under the present valuation.

"We desire to go on doing that. We are very anxious that the valuation should be fixed in some way so that we can quote a fixed price to our customers in the United States, else it is almost impossible to conceive that your buyers will give us an open order on a price which is indefinite. It will be almost impossible for us to say at any

given day what duty we will pay and what price we will assure our customers.

"All that we ask you is to let us live and work and pay you back what we owe you. We owe you a vast amount of money which is a very great anxiety to us, and we feel that unless we can trade with you our difficulty is going to be enormous. We cannot send you any more gold. We have not got it, even if it were advisable for you to receive it, which I do not think it is. So that the only thing we can do is to trade in goods for goods with you, and that we are very anxious to do."

Mr. Balfour said that the industries represented about 125,000 skilled workers in Sheffield and Manchester, and that if the duties proposed in the Fordney bill were enacted it would mean that several of the great Sheffield firms would have to go out of business, while many others would be hard hit.

"We do not believe in retaliation in our country," Mr. Balfour added. "I believe that whatever you do to us we would never permit that."

# How a Free Port Operates

Cities in Northern Europe take it for granted that the United States needs considerable help in trading with Russia and they are far from backward in presenting their peculiar advantages

By **CHAUNCEY DEPEW SNOW**

*Manager, Foreign Commerce Department, Chamber of Commerce of the United States*

**O**F COURSE you American business men want to participate in the great business with Russia when the present mess is cleaned up and real business can be resumed. You are a long way from Russia. You don't know the language. You don't understand the psychology of the Russian people. You don't know the channels and methods of trade with Russia, and you don't know the tricks of the trade. It would be perfectly hopeless for you to attempt to do this business direct from the United States yourselves. You need our help. We are close to Russia. We know the Russian people, the Russian psychology, the Russian language, and—the Russians like us. We have had a long experience in trading with Russia and we know how that trade has to be carried on.

"With us as the intermediaries, you people over in the United States ought to be able to do some real business in Russia. You can't begin too soon. You ought to establish your contacts here with us. Appoint some of our good, energetic business men as your representatives to handle this business. It wouldn't be a bad idea for you to get some stocks of merchandise over here even now in preparation for this trade. Don't put it off too long; if you do you will find that your competitors have seen the opportunity that you have overlooked, and have got the trade. For Heaven's sake, don't make the mistake of thinking you can get along without us, because you can't, and if you try it, you will lose not only the business, but the money you put into the venture."

The foregoing supposititious advice on how to trade with Russia is not altogether so supposititious as it sounds. Let the American business man today visit Germany, or Poland, or Denmark, or Sweden, or Norway, and let him make it known that he is looking into the business situation in Northern Europe a bit,

and he will soon have just that line of thought dinned into his ears. The banker, the ocean carrier, the freight forwarder, the Chamber of Commerce official, and the merchant or commission man in Central and Northern Europe, coolly and calmly take it for granted that if Uncle Sam is going to do any business in the Baltic and beyond he will have to make use of their services.

Germans are rather inclined to view the Russian trade as the private property of Germany. Before the War the Germans had a sort of "get off the grass" attitude when any one else showed signs of aspiring to Russian trade. Today the Germans have lost none of their confidence in their ability to handle the Russian trade, and they want to handle not only their own trade with Russia, but the trade of everybody else with Russia. Instead of "get off the grass," the sign is "come on in, the water is fine"—but be sure you wear a German bathing suit and life-preserver.

Germany is looking more than ever overland, to the North and to the East, and "more than ever" means a lot. It is hard for us Americans to realize how vastly important the Russian and Eastern land trade has been to Germany. In 1913 the foreign trade of Germany registered totals with just two countries in excess of half a billion dollars. These two countries were the United Kingdom and Russia, and the total trade between Germany and the United Kingdom exceeded that between Germany and Russia by only two million dollars. There was one other country with which German trade approached the half billion figure, and that was Austria-Hungary. Denmark, Sweden, Norway, Roumania, Turkey, Finland, Bulgaria, Greece, Serbia, all loomed up in the German trade returns, with substantial exports and imports.

An American accountant, auditing the books of half a dozen industrial concerns in

Germany, in the early part of 1914, had an object lesson that well illustrates the point. He worked in a couple of plants close to the Austrian frontier, another in Dresden-Neustadt, and some more in the Rhineland. In the first plant where he worked he noticed that the business for the period under review showed a considerable falling off from the business of preceding years. He asked the director of the plant what the explanation was, and the Herr Director, regarding him with surprise, replied: "Why the Balkan War, of course."

The accountant, like a good many other Americans, had a dim realization that there had been another Balkan War shortly before, but had taken about the same interest in the news dispatches regarding it as he did in the occasional dispatches about the cricket scores at Lords. He found, however, in every plant where he worked that the Balkan War was a recognized business factor. In several instances, the Balkan War had meant the difference between profit and loss for the German concerns.

No wonder Germany takes it for granted that when it comes to trade with Russia or any of the new countries of Europe, she is the logical supplier.

Where the rivalry for the Baltic trade and the trade of Russia is most acutely manifested is in the free port cities of Northern Europe. The best known of the free ports is, naturally, that of Hamburg. Probably the free port of Bremen is next best known. Copenhagen, however, has a free port of no mean size and of remarkably ample accommodations, and it has a record of more or less continuous progress for twenty-five years. The free port of Copenhagen, and the South Port outside the customs stockade, have been greatly expanded in the period since the outbreak of the European War. Sweden kept an eye on the advertising and the mer-



chandising advantages of the free ports of Germany and the great free port of her Scandinavian neighbor to the south, and recently embarked on a rather pretentious free port program. The free port at Stockholm, started during the war with its basin blasted out of the solid rock on which Stockholm stands, is a going concern, and the free ports at Malmo and Gothenburg will soon be telling the world what they have to offer. No Scandinavian country can see either of the other two acquire any of the modern improvements without starting in the same direction, and in Norway the suitability of Christiansand for a free zone is not soft-pedaled. Finland recommends the use of the free port of Hango, and Poland is pulling for the free port of Danzig.

A free port has two principal sales points,—transshipment trade, and consignment trade. Bremen, and Hamburg, and Copenhagen, and Stockholm are vigorous rivals for the transshipment and consignment trade of the United States, both for distribution within their own countries and for distribution throughout the Baltic and to the East.

Each of these free ports has some particular advantage to which it points with pride in making its sales talk. Bremen is a great center for railroad distribution, as well as having numerous lines of water distribution. Hamburg admits that it has the greatest thing in the way of a free port the world has seen, and is the logical point for free distribution—ocean, river, rail, or air—in whatever direction. Copenhagen stresses its proximity to the Baltic countries, disputes Hamburg's claims in the matter of variety of ocean shipping connections, points to its room for growth, and has no apologies to make concerning its existing harbor and its general port equipment. Copenhagen is also inclined to stress the excellence of its financial facilities. Stockholm says, "As a free port, we are young, only two years old, but we are already equipped—where will you find better warehouses?—watch us grow." Stockholm also makes a trade point out of its easterly location and strenuously asserts its rights to be heard in distribution in the Baltic.

#### Eastern Boundary of Honesty

REMEMBER, Stockholm is the farthest point East where you find an honest man," is the way one Swedish engineer put it this summer in trying to "sell" Stockholm as a free port for trade with Russia and the other Baltic countries. Rather rough on some of the countries of the East, but it is, nevertheless, a claim that is being made, and heeded in some quarters.

Hango's chief stock in trade is direct railroad connections with Petrograd—and "the railroads in Finland and in Russia have the same railroad gauge, thus the goods loaded in wagons in Hango can be directly transported to the farthest ports of Russia," reads a memorandum handed me by the head of the Finnish Diplomatic Mission in Copenhagen.

These various free ports are, roughly, the same in principle and in method of operation. The free port is an enclosed area, with a tall and well protected stockade around it. The operation of the free port is in the hands of a private free port company, in which the government has a greater or a less degree of participation. Vessels may proceed into the free port with practically no customs supervision. Naturally, the sanitary regulations that apply in any other port are applicable also in the free ports. It is only when merchandise deposited in the free port moves outside the stockade into the country in which

the free port is located that the customs formalities enter into play.

In Hamburg and in Copenhagen there are custom houses at the land gates, and duty is assessed as merchandise passes through the gates. At Bremen and at Stockholm there is a slight difference in the method of performing the customs functions, but it is chiefly a matter of mere administrative technique, and the net result is the same. The free port boasts quays or piers, lighters, cranes, transit sheds, and warehouses, after the manner of any other port. The actual port equipment in the free ports of Bremen,

**MR. SNOW** has just returned from a study of trade conditions in Europe as they affect the American business man. After attending the London meeting of the International Chamber of Commerce, he visited industrial establishments in all the Scandinavian countries and watched the workings of the free ports of Bremen, Hamburg, Copenhagen and Stockholm. He tells here what these ports have to offer American exporters.—THE EDITOR.

Hamburg, Copenhagen, and Stockholm is all good, modern, and well kept up. In the warehouses in the free port there are as a rule facilities for auction sales, for re-packing, and otherwise manipulating merchandise.

In the free port of Bremen no manufacturing is allowed. In the free port of Hamburg there is a considerable amount of manufacturing, but manufacturing activity is restricted largely to goods being used in the port or shipped out of the country; it is cheaper to import raw materials free than to pay duty on finished products. As a matter of fact, manufacturing in the free port has to do chiefly with ship repairs and ship supplies, and shows little volume and variety outside that field. Manufacturing may be carried on in the free port of Copenhagen, and likewise in the free port of Stockholm, by individual government permits. None of the free ports, however, stresses the manufacturing question; they want transshipment and consignment business. It's much more a question of the superiority of a free port over a system of bonded warehouses than it is a question of the superiority of a free port over a system of customs drawbacks and allowances.

The advantages of the free port for the transshipment business are those which are clearest and most generally understood. The facilities for the development of a broad consignment market should also be appreciated. If you want to use the free port of Copenhagen, for example, as your distributing point for supplying orders from anywhere in Northern Europe, you simply ship the goods to the free port of Copenhagen, warehouse them there, pay the ordinary handling and warehouse charges, and do not have to think about customs duty until, after transshipment, they arrive where they are intended for consumption. American packing companies, tobacco companies, and petroleum companies, and others are using these various ports in this fashion.

An American packer, for example, ships a sizeable stock of packing house products to Copenhagen, and puts them in warehouse,

under control of his own staff men. He can break bulk, and re-pack there to suit the demands of the trade as they materialize. A merchant in the city of Copenhagen, or from any foreign country, can come down into the free port, look at the merchandise, specify the size of units in which he requires it, and the transaction can be completed there, inside the free port.

If some of the products require reworking it can be done right there in the warehouse in the free port. The packer or the other American shipper has not had to bother about bonded warehouses, or drawback, and he has not had to lose the money represented by interest on customs' duties that must have been paid in case he had not had the free port accommodation, but had bought the merchandise inside the customs frontier of Denmark. For most intents and purposes, the American manufacturer has his American stock in warehouse under his own control with about the same burdens on the merchandise as if he had it in warehouse in New York or Baltimore—except the burdens of expense represented by ocean shipment and handling charges.

Warehouse charges in the free ports are kept in line with those in the areas outside the free zones, and in Copenhagen and Stockholm certain inducements of free storage for a short time are held forth to attract immediate transshipment business. The merchandise, of course, is 4,000 miles nearer to the consuming market for which it is intended than if it had remained in a warehouse in New York. Stocks on hand, ability to show the actual merchandise to a prospective buyer and to make immediate deliveries in small amounts as well as in large, are the points of advantage.

The writer was being shown through the recently enlarged port of Copenhagen, and commented on the considerable amount of warehouse space still available for use. "Yes," said the Director of the free port, "we have been making ready facilities for more American companies to put their stocks here for immediate sale in the Scandinavian countries, in Russia, and the new countries of Europe."

#### American Goods Are Present

IT is a point worth observing, that a substantial number of the best known American manufacturers that do a world-wide business have seen the advantage offered by these free ports, and if you visit the free ports in Germany, in Copenhagen, and in Stockholm, and go through the warehouses, you will find no small number of active American stocks from which current business is being supplied. The American manufacturer can not afford to overlook the advantages of the free ports, if he has lines and business which make the free ports attractive and of some use to him. From present indications, the free port companies in Bremen, Hamburg, Copenhagen, Stockholm (and now Malmo and Gothenburg) and Dantzig and Hango as well, do not intend to let the American manufacturers overlook them.

Everybody in Northern Europe is anxious to "help" us in doing business in the Baltic. So far as the free ports are concerned, at least, they have something which a good many American exporting concerns believe is a real help and are patronizing. Moreover, if our European friends in Northern Europe who are so intent on helping us to trade there in other ways are right about our inability to get along without them, like Barkis, they are, most emphatically and vociferously, "willin'."

# The Engineer of the Budget

Something of the life and works of Martin Barnaby Madden, Chairman of the committee that must pass on Uncle Sam's expenditures; what happened to the Shipping Board's deficiency appropriation

By WILLIAM ATHERTON DU PUY

**I**T WAS BACK in the days when our Uncle Samuel was sawing a notch through a continent at Panama, and the spotlight of the world was playing upon this master engineering project of the generation. A huge, white-haired, blue-eyed, ruddy-faced engineer, one George W. Goethals, Colonel in the Army, was riding out for a trip of inspection at Culebra, where the cut severed a mountain range. Here dynamite, steam shovels, drills, derricks, steam engines, and an infinity of other mechanical devices were the teeth of his saw, and their operations were like those of an army of ants observed through a magnifying glass.

On this occasion the chief engineer had with him a man peculiarly like himself—white-haired, blocky-featured, sturdy-built—one Martin Barnaby Madden, a member of the Congress of the U. S. A. They were yet a quarter of a mile from the cut when the legislator put his hand on the arm of the Colonel and paused to listen.

"Your compressed air drills," he said, "are operating at only 25 per cent efficiency. You ought to speed them up."

And now this engineer member of Congress, who could judge the efficiency of a drill by listening to it afar off, has come to be the key man of the Government in the operation of its most advanced experiment of a generation—a budget system of appropriating the money for its operation. Representative Madden is Chairman of the Committee on Appropriations of the House. The old order has passed when a score of committees made up the appropriations, one for Agriculture, one for the Navy—each for the agency of government with which it was concerned. Now all money bills must come through this Committee on Appropriations. It is in reality the Budget Committee. Madden sits by the gate and throws the switch. There is consequently much interest in this engineer Congressman from Chicago, who, through the votes of his fellows, was hurdled over the heads of other men in line for this post of the first magnitude.

## His Work for the Canal

**R**EPRESENTATIVE MADDEN is at his best as a public servant when engaged on such problems as those of the Panama Canal, and he probably had more to do with that big job than any other member of Congress. In the first place, he wrote the first plank in a party platform that favored building such a canal. This was back in 1900, when the Republicans met at Philadelphia and Charles W. Fairbanks was chairman of the Resolutions Committee. Martin B. Madden, then a private citizen, was a member of that committee. Being an engineer, he was assigned the task of writing the canal plank, which he did, and in which he declared for an "Isthmian Canal."

It was not until 1905 that he came to Congress. Immediately he went on the Appropriations Committee, which then had the canal as its major project. President Roosevelt had appointed an international commission of engineers to settle the question of whether this should be a lock type or a sea-

level canal. The expert commission recommended a sea-level canal. Mr. Madden and other members of the Appropriations Committee went to Panama for a look. This engineer soon became convinced that the expert commission had erred, that a sea-level canal was a virtual impossibility. He made out such a good case that the whole scheme was changed.

The Panama Canal became Mr. Madden's specialty. He was the Canal's expert in Congress. It was he who urged President Roosevelt to put it under the Army engineers. He went down there at every opportunity, became an intimate of Colonel Goethals. When the Colonel wanted a measure of his district engineers, it was Madden who studied each and reported back. The two conferred on moving the dirt out of Culebra cut, and the Congressman who had spent his life at rock quarrying, showed the Colonel how to handle his trains that they might work a third faster. Mr. Madden, coming from the outside and getting the flash of a strong first impression, pointed out a defect in the scheme of cement manufacture for Gatun Dam that decreased the time required for its construction by two years.

This Congressman had got much experience in cutting gashes in the face of the earth at his quarries at Lemont, just outside of Chicago, where the Illinois and Michigan Canal winds down through the rock hills of the Des Plaines Valley. He had started in when Chicago was a sprawled-out town, needing building materials, of which his valley had unlimited quantities adjacent to cheap transportation. So Madden had prospered, had come out on the South Side when it was a waste sand stretch, to build himself a home, had been the moving spirit in an improvement district that had become so successful that it was demanded of him that he represent it in the City Council.

This call to the City Council was made upon him because of work he had done as an engineer in his improvement district. This was in 1899, and Chicago was wriggling in its chrysalis. In a year it broke out, multiplied the area within its limits by five. Councilman Madden was, because he was an engineer, made chairman of the Committee on Wharves and Public Grounds, which was inert, but which he awoke into such activity that it has done much in making the Chicago of today. He made so favorable an impression that, the following year, he became chairman of the Finance Committee. Here he stuck for seven years, growing into the dominant figure in financing a great city during an era of development that has probably never been equaled by any other community since time began.

One of the first projects he tackled was of the kind that is dear to the heart of an engineer, and had to do with the problem of water for the rapidly expanding city. In its growth from an area of thirty-seven square miles to 197 square miles, Chicago had a big task in laying mains and lesser pipe and in getting an adequate supply of pure water to circulate through them. Madden, the engineer, directed that huge project

of tunnels that reached far out under the lake where the water was pure, brought it into Chicago, and sent it out through tentacles to every new home in the suburbs. Madden, the chairman of the Finance Committee of the City Council, was the directing genius who made the water rents of Chicago pay for all this construction as it went along and delivered it to the city without a cent of debt chalked up against it. Madden it was who, when he became head of its Finance Committee, found the city with a debt of \$20,000,000, and left it, seven years later, with but one obligation outstanding—a \$1,500 bond, which he could not find that he might pay it off.

Chicago appreciated the service of Martin Barnaby Madden, and protested against his going back to his quarries in 1897, a thing which he insisted on doing. Chicago offered him many posts, but he refused until 1905, when he had attained that business success and financial independence which he held to be the best safeguard to unselfish public service. Then he came to Congress and has been in Congress ever since.

## Stone That Helped Build Chicago

**B**UT the story of this engineer and business man, who usurped the prerogatives usually accorded to lawyers, and helped much in the operation of the Congress, would not be complete without a bit of light on his early life and the ladder up which he climbed. He was born to English emigrant parents, one of a family of eight children. They settled among the quarries near Chicago, where the elder Madden earned the family livelihood as a laborer. When Martin was 10 years old he went over to the quarry and asked for a job as water boy, and got it. When he was 11, he was given a raise from 50 cents to a dollar a day, and a new job because he had shown the boss how the tools were spoiling from lack of care. He pointed out constructively the proper way to preserve them.

He became the tool boy, and as such got curious to know how they figured the building stone that could be cut from a hillside. So he went to night school to acquire the necessary mathematics. Having mastered this problem, he wanted to learn to draw the plans for getting out this rock, so he studied drafting. At 16 he was the draftsman for the quarry. At this time he began wrestling with the bigger engineering problems and got himself privately tutored. At 18 he was its production superintendent, bossing a thousand men, because there had been need for a man for this job, and Martin Madden knew more about it than anybody else.

Then the youngster went to night school again and learned accounting, contracts, and such, because he saw that he needed these for his next advancement. He went to the authorities on every problem of the quarry, steadily developed his knowledge of engineering, of construction, of finance, and at 27 became a partner, began expanding the business, and made it many times bigger than it had been before. Through the decades that followed, he was its active engineer and



fiscal agent, and it and everybody connected with it prospered.

Now, this engineer and successful business man has been in Congress for 16 years. He says he is in Congress because it is more satisfaction to him to render public service than it would be to acquire more money. He refused to come until there could be no question of his independence. He has never taken a single item of patronage since he came, has never given a pledge, has never swapped support. He did not ask for the present chairmanship, but believes that his training has been such as to make him know the job, to make him able to render great service in it. He is delighted with it, works hard, and enjoys every moment.

"How does the operation of the Government under the budget system seem to be working itself out?" I asked Mr. Madden.

"We have not much of demonstrated accomplishment to offer as yet," he said, "because we have not yet been presented with the budget of governmental expenditures upon which to build an annual appropriation bill. Not until the regular session of Congress will we serve our true purpose."

#### Where Dawes' Work Fits In

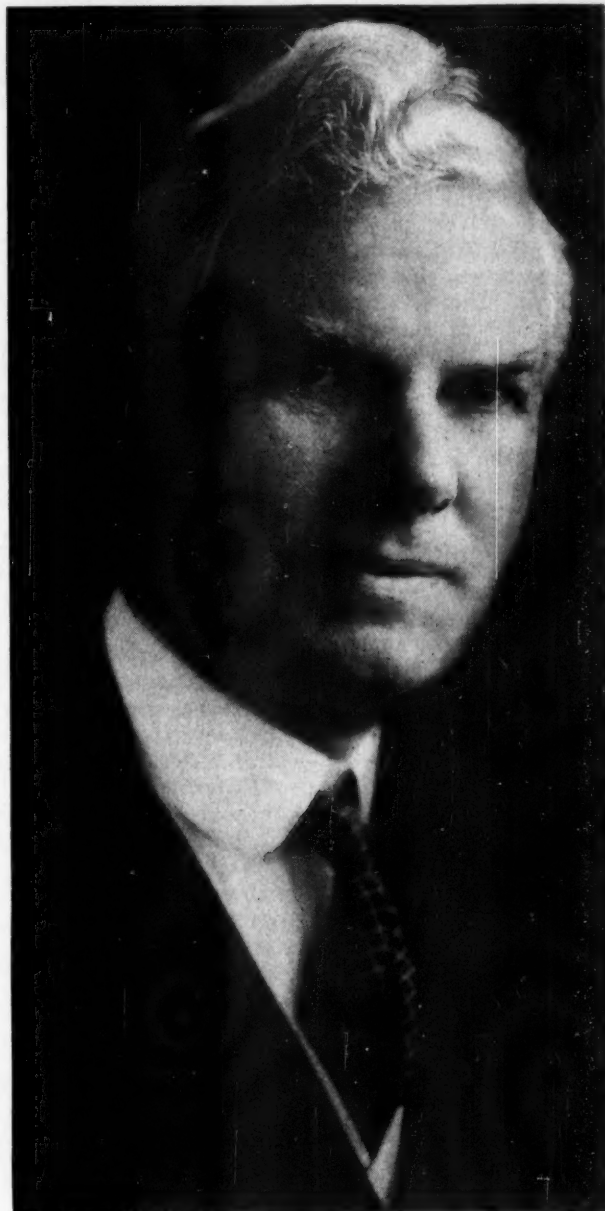
IN the meantime, General Dawes, the budget officer of the Government, is making up the schedule of appropriations that will be asked for the various departments and bureaus. Heretofore, these departments have come direct to the various committees of Congress. Each was justifiably enthusiastic over its own work and prone to ask for appropriations that were unduly large. Few saw their tasks in their proper proportions to other governmental undertakings. Their requests had not been passed on by any agency which viewed them impersonally.

"Now each representative of a governmental activity must appear before the budget officer and justify to him and his experts the appropriations which he asks. It is the province of the budget officer to investigate every item, to pass upon the soundness of any undertaking, to check the estimated cost, to measure every salary proposed to be paid. Every request for money is thus strained through the sieve of the budget officer and his experts, who see the whole Government plant and the relative importance of each unit. When an item appears in the budget which he makes up, it represents his judgment of the importance of the project it is to finance and the amount of money to which it is entitled.

"The budget officer makes his recommendations to the President, who submits them to Congress through the Speaker of the House. The House refers them to the Committee on Appropriations, which is in reality the Budget Committee.

"When I became a member of that committee 16 years ago, it boasted seventeen members and now it has thirty-five. Most of those committeemen are selected from the substantial personnel of Congress. They have had much experience in making appropriations, have studied the budget idea for many years. In the hearings that we gave to alleged experts on the budget system before it became a law, it was usually true that these

men came to instruct the committee but went away instructed. Our opportunities to study this budget idea had been greater than theirs. This committee is a group of exceptionally able and experienced men.



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He refused to come to Congress until the time came when there could be no question of his independence.

"When the first budget reaches this committee next session, it will regard itself as being actually in the harness. The budget officer will have gone far toward getting the appropriations in shape, but it is not the intent that the committee shall accept the budget as he submits it. Its judgment will be added to his in weighing each item. Whenever there is an item on which it wants more information, it may call whomever it desires for questioning. The existence of a budget officer does not mean that people in the departments will not be called before the committee. Where the committee finds, after due study, that, in its judgment, the figures submitted by the budget officer are too large or too small, it will change them. That is its province. It is responsible for appropriations.

"A good example of the position of the committee in these matters was furnished in the first item submitted to it through the budget officer. This was for deficiency funds

for the operation of the Shipping Board. It was shown that the losses in operation last year had amounted to \$100,000,000 and the estimated losses for the coming year were placed at the same figure. These canny

members of the Appropriations Committee doubted if that was the proper figure. They cited the fact that wages had been cut 15 per cent, that the Shipping Board employed 40,000 people, and that this item alone would reduce the loss this year by \$10,900,000. Then there was the item of food for these 40,000 people. Food now cost less. The Shipping Board had been spending \$1.25 a day to feed its people while the Army spent but 50 cents and the Navy 60 cents. The committee thought that the Shipping Board should be able to provide food for 75 cents a day. Here was an additional saving of \$7,300,000. Fuel had also become cheaper. The saving on fuel for the coming year should amount to \$18,000,000. There were savings on ship repairs due to lowered wages and cheaper materials. Thus there was a total saving of \$51,500,000 over last year. The loss should be figured at \$48,500,000, and not at \$100,000,000. The final appropriation was made on this basis.

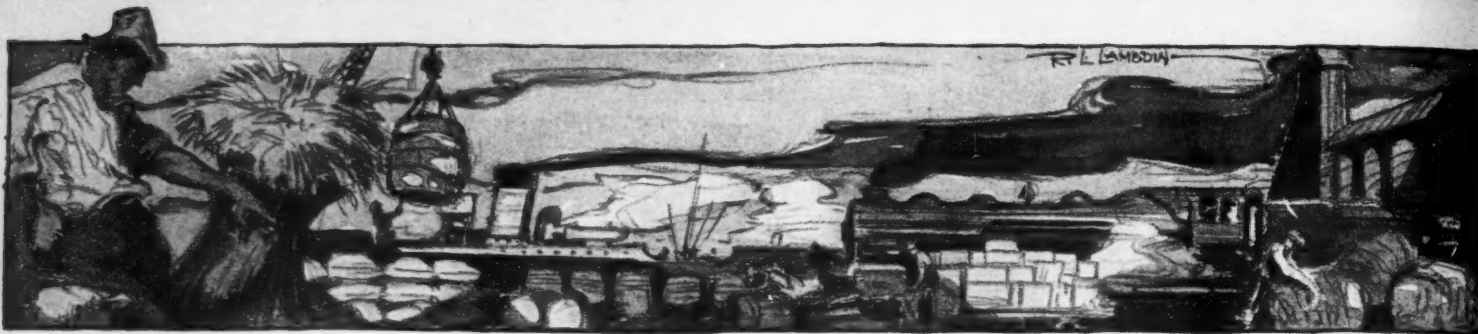
#### Curing One of the Great Abuses

THERE will be innumerable reforms in the manner of handling appropriations under the new scheme. One of the greatest abuses on the part of bureaus and departments is that of spending all the money given them and then asking for deficiency appropriations. The budget officer will receive from each bureau a monthly report on the status of the money it has been given. If that bureau is spending too fast, the fact becomes immediately apparent and it may be reminded that it is exceeding the speed limit. So-called permanent appropriations, those that repeat themselves year after year, are likely to find that the sledding has grown harder.

"In the committee we expect to be as businesslike as are finance departments of great and competently administered corporations. We shall not equivocate. We will say 'yes' when it is the proper answer, and 'no' when it is required. We will not procrastinate. Action will be expeditious. Committee desks will be kept clean and

business will be current. It is an engineering and business job and I expect to use engineering and business methods. Better service should be rendered through those methods.

"I am glad this post came to me, because it offers an opportunity for service, and this opportunity is about the only reward of him who abandons successes in commercial life for politics. Advancement to important posts in Congress, we feel upon on the Hill, is pretty likely to be well earned. I have observed that it is the man who delivers the goods and remains modest about it who gets ahead. The heads of important committees in Congress are sure to have back of them long lanes carved laboriously through the jungle of legislation. It is a rare privilege to be given an opportunity to render great public service, and I approach my new assignment with humility and determination."



## What Is Unemployment?

**U**NEMPLOYMENT needs definition. Does it mean voluntary or involuntary joblessness? Does it mean being out of work entirely, or in transit, or being classified as out of work when actually employed in an uncatalogued industry? Does it mean breadlines, or merely a redistribution of labor such as was to be expected after the war? When Secretary Davis, of the Department of Labor, submits to the Senate an estimate of 5,735,000 unemployed, just what are the implications?

This definition will be one of the important tasks, perhaps the first, to confront the coming conference on unemployment. Not until the exact extent and nature of the malady is disclosed can the conference hope to prescribe for it. If nearly six millions of persons in the United States are actually in danger of hunger, the situation is grave to the extreme. Drastic and urgent remedies must be sought and applied. But it may be found, possibly, that the situation does not require that the conference recommend measures so far-reaching. The average unemployment in this country, due to strikes, the continuous turnover of labor, and the predilection of a minor class for idleness, is usually estimated at a million and a quarter. And we are, moreover, still undergoing the inevitable readjustment from abnormal war-industry employment to normal peace-time conditions. Labor is shifting as equilibrium is restored.

There is in the United States no machinery for determining with any approach to accuracy the state of unemployment. The estimate Mr. Davis made for the Senate was the best guess he could make without such machinery. It is based on comparison of figures gathered as between last July 1 and the peak of employment in 1920. The reports cover only the principal manufacturing and mechanical industries. They do not cover all manufactures, and they make no pretense of taking account of the millions in agriculture, trade, clerical work, and domestic service. And, as Secretary Davis points out:

The employment was far above normal in the spring of 1920. Industries bid for workers; wives, daughters, and boys who were not accustomed to work for wages, took up gainful work through economic necessity or because of the tempting wages offered. Therefore the present recession in employment may mean not entirely unemployment for regular workers, but in addition a return of many persons back to non-gainful home work or schools.

From an examination of all the related facts the conference should be able to determine with some accuracy what the precise state of unemployment is. If it does no more, its service will be of value. Possibly it may find that the situation, although now apparently serious, can be mitigated by speedy action on the revenue laws, by such revision of the present tax system as will release capital to its accustomed channels, where automatically it will provide the wanted employment of pre-war days. Possibly it may find other measures advisable. Its recommendations will be awaited with interest.

## The Question of Unfair Competition

**T**HE TRADE COMMISSION and the lower courts have come to some more contrary conclusions about what constitutes unfair competition and the line to be drawn between interstate commerce and intrastate transactions. Thus, there will undoubtedly be additions to the cases arising on the Trade Commission's orders which are to be heard by the Supreme Court at its term beginning in October. The final decisions in these cases should add materially to our understanding of the Commission's powers.

The new decisions deal with a group of twenty-five or more cases involving the gasoline pumps at filling stations patronized by automobiles and now a familiar part of the landscape, urban and rural. These pumps, usually emblazoned with the trade mark of a company producing gasoline, are leased to the stations at nominal amounts, under an agreement that only the company's gasoline will be distributed through the pumps. The owner of the station is free to obtain pumps from as many companies as he likes, but ordinarily has no occasion to use more than one. The Commission ruled that restriction of this pump to use in sale only of its owner's brand of gasoline was unfair as against other brands.

The lower Federal courts do not agree. They say the Commission's contention amounts to saying that, since most retailers of gasoline do only a small business and need only one pump, the first wholesaler who furnishes a pump has monopolized the dealer's business and so unfairly competed with all other wholesalers. Such reasoning, the courts say, confounds commerce and convenience, besides introducing into trade an element of unfairness and dishonesty; for it would be unfair and dishonest for a station to sell from a pump bearing one company's brand another company's product.

In this group of cases the Commission included some wholesalers who do business only within a State, taking the general ground that, since these wholesalers were in competition with others doing an interstate business, interstate commerce was affected and the Commission has jurisdiction. The court before which these cases came held that the Commission could not issue orders against these intrastate wholesalers, having shown no direct burden, hindrance, or discrimination against interstate commerce on their part which would call for the exercise of Federal control over purely intrastate business.

## Here's Cheerful News

**G**OVERNMENT EXPENDITURES in August had a downward trend, standing at \$291,000,000. In August of last year the figure was about \$347,000,000. For the first two months of the Government's fiscal year expenditures have been \$41,000,000 less than in the corresponding months of 1920.

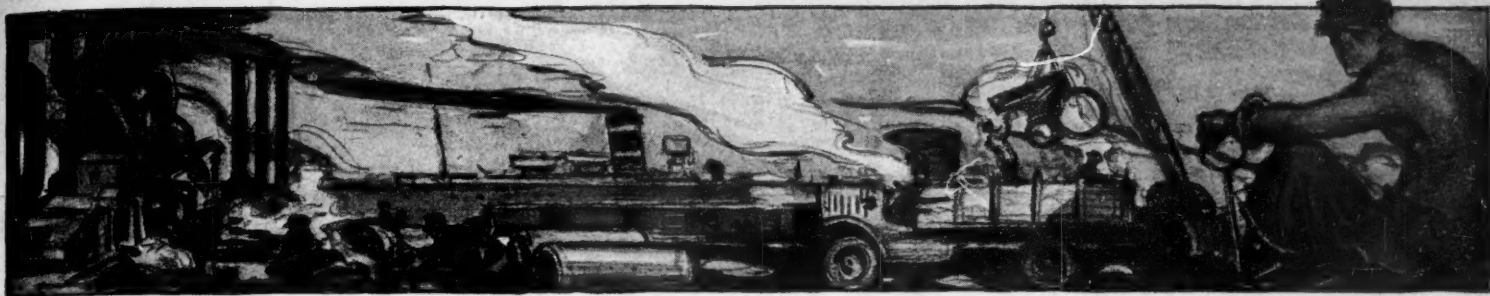
## New York's Cash Bonus

**T**HE CASH BONUS received some analysis at the end of August by the highest court of the State of New York. The Constitution of New York provides that the credit of the State may not be lent for the benefit of individuals. A question of violation of this provision was raised in connection with an issue of bonds to pay a cash bonus to New York's ex-service men.

The court said there was violation of the State's Constitution. If the proposal had been to raise money to aid wounded men, the court intimated, there would have been a different result. The proposal was not of such a nature, however. On this point the court said, "We can not too clearly emphasize at the outset of our discussion that this act is not an act to restore to health and usefulness those who became disabled in the performance of their duty. To do this is a sacred trust. Every human impulse prompts us to its full accomplishment. Neglect here spells disgrace.

"Yet, by this act, help for the wounded is at least postponed. For them as a class nothing is done. Whatever right the State may have to use its moneys in making them the subject of first and devoted consideration, this right finds no expression in the present statute. The wounded are not a reason or a ground for its enactment."





To the uninjured men the court perceived no pecuniary obligation on the part of the State. Consequently, it held the plan for a cash bonus was contrary to the provision in the State's Constitution. Regarding the wisdom of such a provision, it said, "Great expenditures may be lightly authorized if payment is to be postponed. To place the burden on our children is easy. Nor do we scrutinize so closely the expenditures to be made if that is done. The pressure which will come when the obligation matures is ignored. Conscious of this human weakness, and to guard against public bankruptcy, the people thought it wise to limit the legislative power."

### Carrying Relief Straight to the Soldier

**T**HROUGH the Sweet Bill, recently passed by Congress, governmental veteran relief agencies are consolidated and rules for the treatment of disabled made more liberal. The Government has thus taken a long step forward in affording relief which has been urged by soldier organizations and by the Chamber of Commerce of the United States.

The enactment of this important veterans bill in a large measure meets the recommendations made at the last two annual meetings of the National Chamber, when it declared through resolution that "The conditions surrounding the hospitalization and rehabilitation of the disabled veterans of the World War have not been adequately met."

The chief source of difficulty, it was pointed out, was lack of governmental consolidation and centralized authority, and it was further urged that "Congress should appropriate the funds necessary for a continuing and adequate hospital-building program."

Over 600,000 War Risk Insurance policy holders will be benefited by new features of the law which makes it more convenient to carry the insurance. Every postmaster is made a collector of insurance premiums.

While hospitalization hitherto was only granted for a disability rating of 10 per cent or more, any future case of disability may be subject to hospitalization in the judgment of the examiners, and it is estimated that 200,000 veterans will benefit by this broadening of the law.

Great improvement in the care of disabled veterans is certain to follow all along the line. The 140 sub-offices to be established under the regional offices will take the benefits of the new bureau into the home section of the beneficiary.

### Cutting the High Cost of Government

**G**OVERNMENT EXPENDITURE is troubling England. The orders of the British Treasury to the agencies which do the spending, that they are to curtail by at least 20 per cent in their estimates for the new year, have been only partly successful in obtaining reductions. Parliament has had little more success than the Treasury; for a committee of the House of Commons has found detailed examination of items of expenditure beyond the possibilities of the time at its disposal.

Recourse is now to be had to a committee of business men—already popularly designated as the "Big Five." Two are railroad men, one a steamship owner, one a wholesale merchant, and the fifth a banker and merchant. This committee will advise the Cabinet how to enforce economy and bring out in the next budget a program of expenditure that will show real saving. The aim is a reduction by something over \$500,000,000.

Estimates of expenditure by our Federal Government are now in the making, for presentation to Congress in December. To these estimates deep attention can be promised. In fact,

this is a year when public interest of the keenest sort will center in the estimates governments present of the money they expect to spend.

### A "Stop" Signal for Progress?

**T**HAT ADDED INCH to the Chinaman's shirt tail which should make white the cotton fields of Texas has so far moved more editorial pens than it has spindles in North Carolina. And now comes an eminent authority and shows us another side of the picture. This time it is H. Foster Bain, of the Bureau of Mines, who sets us wondering what will happen if the backward races—backward, that is, in bathtubs and vacuum cleaners—ever catch up.

China uses each year 100 pounds of coal per capita. We in the United States use six tons. If China's four hundred millions ever want six tons each, China will need twice the coal the world produced in 1920. What then becomes of our coal reserves?

Or copper? Even highly developed France uses but four ounces of copper to the individual to our six pounds. When the day comes that a telephone graces every Chinese home and each Chinaman clamors for his six pounds of copper a year, well, the world's production of copper for 1920 would just about supply China.

The world doesn't produce in a year enough pig iron to give India alone her share if India set out to use automobiles and cookstoves as they are used in North America.

Perhaps we'd better not go ahead too fast. It may be wiser to let the Chinaman wear his shirt tail as it is a few more years.

### Coordinating the Coordinator

**A** CHIEF COORDINATOR and nine district coordinators were added to the list of official titles in August. It is the job of these officials to coordinate the whole business of the Federal Government's purchase of supplies and equipment, and disposal of surplus. The appointments were made by the Director of the Budget Bureau, acting in accordance with a plan put into operation by the President in July.

### Our Mechanical Farms

**T**HE AMERICAN FARM is adding to its agricultural machinery other means of increasing efficiency and convenience. In eight States more than half the farms have automobiles, 75 per cent having them in Nebraska and 73 per cent in Iowa. The States from Missouri and Kansas to the northern border, on their 1,096,000 farms, have 631,000 automobiles.

Tractors seem to be more popular with farmers than motor trucks. Two hundred twenty-nine thousand farms have tractors and 139,000 possess trucks. Trucks are apparently most popular in connection with farms marketing vegetables and fruit; for 10 per cent of the New Jersey farms have them. Tractors are proportionately most numerous in South Dakota, where they are on 16 per cent of the farms. The percentage is almost as large in North Dakota, and is over 10 per cent in Montana and California as well.

The farmer's wife is getting some advantages. On 644,000 farms—that means 10 per cent—water has been piped into the house, and on 452,000 there is gas or electric light.

The telephone is the most universal of modern facilities used on the farms. Almost 40 per cent of all farms now have telephones, and in Iowa the figure runs up to 86 per cent. In the States beginning with Missouri and Kansas, and extending northward, where automobiles are most numerous, 70 per cent of the farms are equipped with telephones.

# A City without a Street Car

In Des Moines a long and bitter controversy ended with a stoppage of all trolley service; so far the experiment hasn't encouraged other towns to follow suit

By P. H. GADSDEN

*President, American Electric Railway Association*

**A**NY CITY which permits its street car service to be abandoned may expect to suffer hardening of its commercial arteries. This has just been forcefully demonstrated in Des Moines, Iowa.

Des Moines has been without street car service—save for ten days during the State fair—since August 4. Rather than grant the traction company an equitable fare and eliminate bus competition, the city permitted the company, already in receivership, to abandon service.

Thereafter Des Moines has depended on buses for local transportation. The coming of the State Fair on August 26, caused the Association in charge to obtain permission from Federal Judge Martin J. Wade, who granted the order closing down street car service, to run the cars throughout the period of the fair. The Association guaranteed that it would meet any deficit resulting from the temporary service.

The outstanding results of those weeks of street carless transportation follow:

Less than one-half the 105,000 daily car riders of Des Moines were carried by the bus service.

Retail business suffered a terrific slump. Merchants, seemingly indifferent when car service stopped, became alarmed in the face of falling receipts and quickly organized a Committee that now is endeavoring to restore street car service permanently.

Approximately 1,000 persons in the employ of the company were thrown out of work. Figures on collateral cases of unemployment, due to the slump in business, are unavailable.

Certainly the Bus Men's Organization in Des Moines had the greatest possible opportunities for making good on their boast that they could substitute street car service.

One of the biggest drawbacks to inaugurating bus service is the confusion that ensues while people are familiarizing themselves with buses. Des Moines knew virtually none of this because the buses had been running for months prior to the abandonment of street car service. Furthermore, the city government, which was openly fighting the street car company, lent the bus men all possible aid. Only a small license fee was charged bus operators, expert technical men paid by the city helped lay out routes, streets damaged by buses were quickly repaired at the expense of the tax payers, and the city council and prominent friends of the current city government threw their political support behind the buses and against the street car company.

Of still greater importance, the weather during the first few weeks of bus service was ideal. Rain fell on only one day.

Should street car service not be restored permanently in Des Moines before next winter, of course, there will be another story to tell. The present bus organization in charge of transportation has no facilities whatever for cleaning the streets. Previously it has been the custom of the buses when snow fell to wait until the street car company, at its own expense, had cleared away

the snow on its tracks and then follow the street cars to snatch passengers from them. When Judge Wade gave Receiver F. C. Chambers permission to close down the street car line, the company was losing \$40,000 a month. It was granted a twenty-five year franchise in 1916 under a five cent fare. No dividends ever were earned at this fare, and, finally it would not pay running expenses. Car riders refused to grant a six cent fare and the company went into the hands of a receiver. When Judge Wade, last spring, granted an eight cent fare the city government permitted unrestricted bus competition to start. Immediate losses of \$3,000 a month to the street car company resulted. Gradually street car service was curtailed until only about half the normal number of cars were running when the company abandoned service.

Bus advocates made the most of the situation, convincing many persons that a quicker, cheaper and better local transportation service could be supplied by buses than by street cars. The bus men were particularly emphatic in their assertion that they could furnish service at a five cent fare. This appealed strongly to politicians who had conducted successful campaigns on a five cent fare platform. It was not surprising, therefore, considering the general confidence that was felt in buses, that virtually no objection was made to the abandonment of street car service when it was announced. City officials and others calmly assured the public in printed interviews that the buses would readily take over the transportation problem.

What happened the first morning that street cars ceased to run is told by the following story from a Des Moines newspaper:

"Des Moines staggered to work this morning in about sixty buses, spread thinly over ninety miles of car line streets. Kindly owners of private motor cars made the situation bearable by picking up thousands who waited on street corners for buses that were packed tighter than sardine cans when they finally appeared."

Here are statements from a number of persons as to how they go downtown:

"I rode on the handle bars of a bicycle."

"I rode down on top of a furniture van with about thirty other people."

"I was given a ride by a man driving a hay wagon."

In the face of a painful business slump on the first day of bus transportation, a committee of retail merchants was hastily summoned to attempt to restore street car service. The Committee beseeched the city council and the company to come to an agreement.

The council hesitated and began to explain its position, saying it was only trying to enforce the old franchise regulations.

Meantime the number of buses in the streets increased from sixty to about eighty-five. But, to the amazement of the council and others who had urged bus service, it was found that there were practically no bus companies of unquestioned financial

standing ready to assure service; that bus concerns were unwilling to assume the great tax burdens that had been borne by the street car company; that even "fly-by-night" bus operators wanted guarantees of permission to run for at least a year, and, finally, that there was no assurance that a modern bus service could be maintained at a five cent fare. Disturbing, too, was the fact that some buses began to charge from ten to twenty-five cents a ride.

This general situation caused one of the newspapers some surprise that the promoters of bus service have not flocked to Des Moines with propositions to put in a thorough-going, up-to-date bus service such as would advertise the bus to the 250 cities that are having trouble with their street car service.

## The Bus Man's Opportunity

**W**ITH the advertising the Des Moines situation has had this ought to be the place for the bus men to make the break. Why are they not all here with proposals to install adequate bus systems? Why does not the city have half-a-dozen proposals from well-financed companies to install up-to-date bus service?

"The answer the trolley car men make is that the bus can not be operated as cheaply as the trolley car. A bus service will prove to cost more than a trolley service."

"What is the bus man's answer?"

After buses had controlled all local transportation for a week, a poll of a dozen business houses and industrial plants resulted: 2,922 for street cars, 488 against. Constantly decreasing business, owing to the inability of shoppers to get downtown, caused the Retail Merchants' Committee to induce Receiver Chambers to obtain a proposed new franchise from A. W. Harris, of Chicago, representing the security holders of the property. This proposal contemplated bus elimination and a service-at-cost plan with a flexible fare arrangement starting at eight cents which would insure the property owners a general return of 5¼ per cent on all outstanding securities, notes, etc.

The Merchants Committee asked for a lower initial fare and Mr. Chambers referred the suggestion to Mr. Harris.

One of two things will happen. Either the business men's committee and the company will come to an agreement and refer their proposition to the city council which will arrange for referendum action by the people, or the property will be sold to the highest bidder and the new owners will attempt to reach a settlement with the people.

Suspension of service in Des Moines was not unexpected. It was due primarily to the failure of the people to grant early and adequate fare relief; and, second, to permitting irresponsible competition to prey upon the street railway service. What has happened in Des Moines is a warning of what will happen elsewhere if street railways are not granted a fair return for service rendered.



## STRAIGHT LINE METHODS

# Loss

LOSS is the nightmare of things that might have been—the dark alley of ignorance—the gamble and the guess.

PROFIT is the golden apple of all commercial effort—the bright way of knowledge, system and method.

*Loss* is retrogression.

*Profit* is progress and success.

Real *Profit* begins where *Loss* ceases.

The elimination of loss to the minimum is as necessary to successful business as profit itself; for the saving made thru the prevention of mistakes, inefficiency and waste, is profit—just as the difference between cost and selling price is profit.

There is only one *sure* safeguard against loss—sound methods of Cost Accounting and System. But even these do not go far enough. There must be organization, personnel, system—regulated by adequate inside auditing safeguards, so that organization and system will harmonize into a well balanced and effective force for better business.

Such methods detect inefficiency and waste. They furnish the executive with timely and dependable facts and figures from every department—the absolute and only basis of intelligent, progressive and *profitable* action.

## ERNST & ERNST

AUDITS - SYSTEMS  
TAX SERVICE

NEW YORK  
PHILADELPHIA  
BOSTON  
PROVIDENCE  
WASHINGTON

CHICAGO  
MINNEAPOLIS  
ST. PAUL  
ST. LOUIS  
KANSAS CITY

CLEVELAND  
BUFFALO  
PITTSBURGH  
DETROIT

CINCINNATI  
INDIANAPOLIS  
TOLEDO  
ATLANTA  
RICHMOND

NEW ORLEANS  
DALLAS  
FORT WORTH  
HOUSTON  
DENVER

STRAIGHT LINE METHODS

# How Business Is Improving

A timely analysis of the commercial and industrial outlook prepared from material showing current conditions in American commerce and industry

**A**T THE PRESENT moment we have a psychological attitude towards the business situation. There are few men of standing who will today make any decided statement about the business future. At this time last year, and later, pretty near any one was willing to make prophecies.

Although there is this general reluctance to be definitely prophetic, there is a curious unanimity from all parts of the country in saying business is better. There are some exceptions, but the whole color of the mental attitude throughout the country has changed quite recently.

In contrast to the generally conservative attitude which avoids prophecy, we may have some manifestations from the other psychological extreme. We are going to have, apparently, some beating of tom-toms and some shouting about coming prosperity. There is reason to believe that plans for prosperity will not be altogether lacking as a feature of our fall season.

In considering our situation, and primarily our future situation, we can't avoid thinking of what has happened in the past. A recent British economic publication gives a chart of international price movement, and while one can work one's self into very serious fallacies by attempting to deal with prices, this chart happens to show the international situation in respect to prices—prices in different countries—and presents them on a comparable basis. The high point was in May, 1920. Afterwards our prices went on the toboggan and struck 116 as the index number in May of this year, then flattened out, with a very slight tendency to increase. The comparison with the actual prices of other countries is striking. Other countries started on the chart at a higher point. But their declines have been proportionately less than ours. That in the long run will be a great element of strength for us. We shall have been the first to achieve a condition of stabilized prices, with the prices of each commodity in the proper relation to the others.

The ordinary cycle is production, distribution, and consumption of goods. Starting with the consumption end, because this is the end at which such a deadlock as we have had has occurred and the end upon which attention has recently tended to focus, we all know of the so-called "buyer's strike." That strike seems to have faded away. The retail trade in the cities, as shown by the returns of department stores, in June, July, and August of this year was less in volume of business done in dollars than last year. But prices at which the merchandise was sold averaged under last year's prices by a still greater percentage. The conclusion is that the volume of business, measured in actual goods, has increased. There is, in fact, evidence that in all parts of the country the volume of goods moving through retail trade in the cities into consumers' hands is larger than last year. That means more shoes, more clothes, more goods of all kinds.

Throughout the country the stocks of retail stores have been steadily declining. Naturally, more definite information is at hand about the large retail establishments in the cities, but there is evidence—as in the amount and

character of buying from wholesalers—that the same story holds good for retail stores generally, both in cities and in the rural districts.

The condition of stocks in the retail stores is apparently the condition of stocks in every part of industry and commerce throughout the country. Inventories have been reduced. This has meant many sacrifices, but as a general proposition these sacrifices are now behind us. Inventories in large degree have been brought down to at least a reasonable basis. That is a great and significant achievement; for inventories last year were a great point of danger.

Take the steel trade. For one reason or another the steel mills kept operating last year at a rate which could not be explained upon the basis of anything we know in commerce and industry. Apparently they stocked up pretty well all their customers. The consumption of steel today is larger than current production. The effect of this stocking up is being eliminated.

We may refer also to copper, by way of striking illustration. The consumption and export of copper currently is somewhere around 50 per cent of the peak of capacity that we can now expect to utilize. It is true there have been large stocks, but those stocks are being drawn upon because the demand for copper has been larger than production. This, and the attitude of the producers themselves in being conservatively cheerful, is causing the price of copper to go up. It has shown a tendency towards figures that probably would show a profit for some companies, if they cared to go into production.

## Catching Up With Capacity

**I**N THIS connection, of course, we all think of the present capacity of the United States as compared with a pre-war capacity. We all know that certain industries have had tremendously large equipment added during the war. There is no question that we have a certain amount of rearrangement of industries still to go through with, but we ought to recall what our experience was in the past, when we had similar impressions of over-development. Back in the 70's, and again in the 90's, there was a great deal of talk about over-development of manufacturing facilities, transportation facilities—all the facilities for production and distribution. In each of these instances, only a few years elapsed before the point of view had changed altogether, and we concluded that in fact there was no over-capacity. It perhaps is rather significant that right now we are not hearing very much about an over-developed capacity for production and distribution. That would seem to indicate that we may get along sooner than in the earlier periods to the point where our capacity for consumption has caught up with our capacity for production.

It is difficult to say how much we have in recent years added to our capacity for production. No estimates are accurate, because of unknown elements that are going to determine what capacity is.

The general situation in the retail trade has been mentioned as a situation of improvement—in volume of business and in business con-

ditions. Of course, that situation works back into the wholesale trade. Retailers are buying with caution, just exactly as the people who patronize the retailers are buying with caution. Perhaps it would be more accurate to say the buying is being done with discrimination. This buying is, on the whole, in pretty good volume, according to testimony again from all parts of the country. It is most pronounced with respect to wholesale dry goods and least evident with respect to hardware. The wholesale business seems to be on a pretty sound basis. It is in a position to be sensitive to the effects of low retail stocks. It is a huge business, and it is showing improvement.

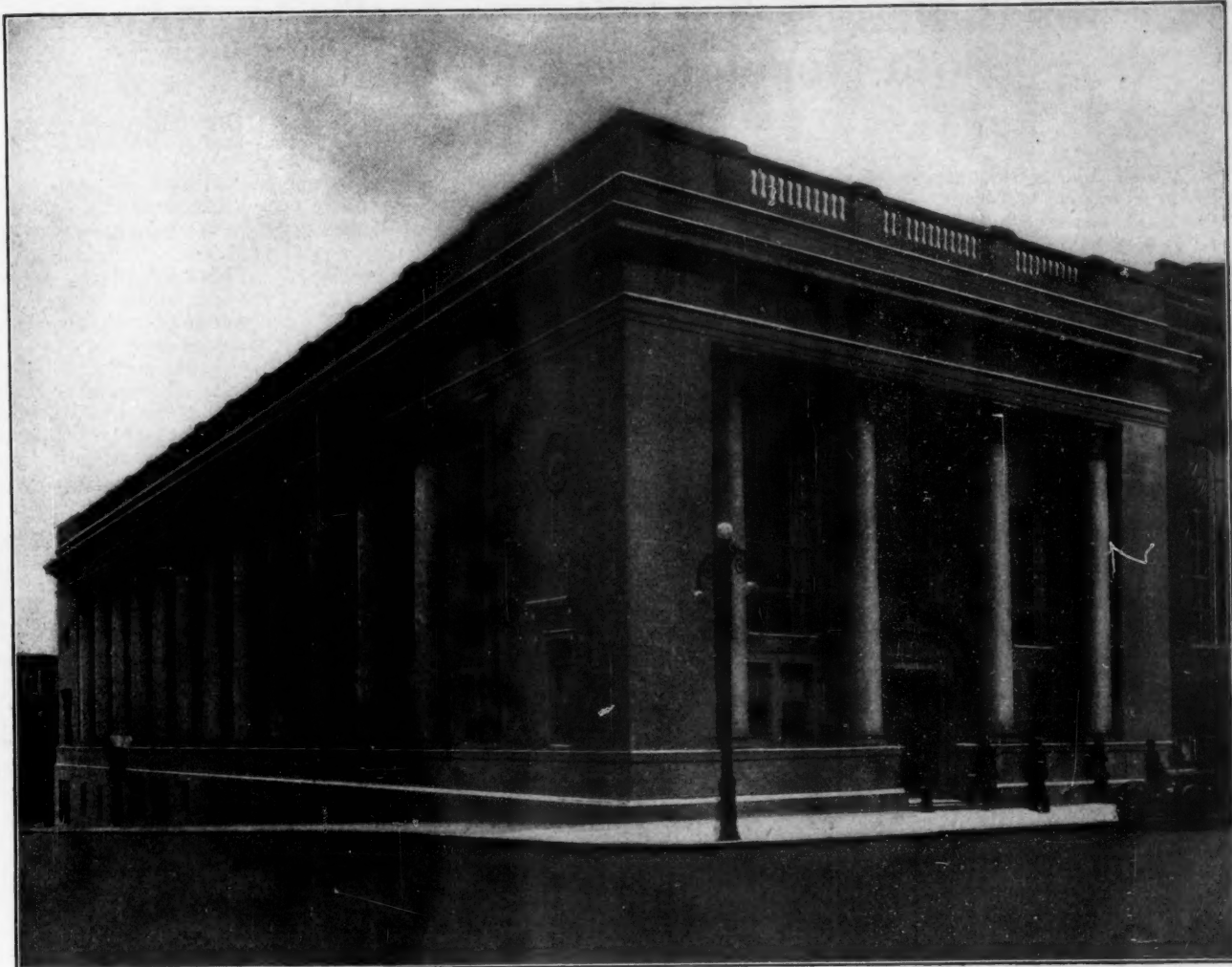
Here it might be well again to refer to prices. Some people who are especially thoughtless have thought that we could have a horizontal reduction of prices. Men of some business attainment have proposed plans. Prices do not change that way. The unevenness, however, in the reduction of prices has been a cause for retarding progress. There are many signs that that unevenness is being removed. Some prices have gone to the 1913 level, but not all. The significant thing is that the best information one can get indicates that during the summer there has been in progress considerable smoothing out of the unevenness. The Bureau of Labor Statistics reported that the July price index would be practically the same as the June price index. If you take the prices for the groups in the index, you find this—that in July farm products were up 1.8 per cent, metals were down 5.3 per cent, food was up 1.5 per cent, chemicals down 1.8 per cent, and so on, and the result is that in percentages the increases exactly offset the decreases. They add up to zero. Things that had gone down are gradually seeking a higher level, and things that have not yet come down to what we might call a stabilized point (and that wouldn't be the same point for all articles, but the point where articles are stabilized with relation to one another) have been coming down. In the case of these groups of prices there was an exact counterbalancing in these tendencies.

When we turn to the manufacturing industries, we find a better situation than one would expect. A synopsis of the business situation as of August 23, for the Federal Reserve District of Philadelphia, put out by the Federal Reserve Bank, shows unevenness in the tabulated story of the industries of an important district, but the general impression to be gained from the individual statements is that production is looking up. And there is one striking circumstance; not an industry reports poor collections. That would go to indicate that the wholesalers and retailers are in a pretty good position.

In the basic industries production is somewhat up. The daily average of August for pig iron was 30,000 gross tons, as against 27,000 in July. The improvement in copper is shared by such related metals as zinc and lead. Lumber is much better off than it was. Statistics issued by the National Lumber Manufacturers Association show orders 80 per cent of normal, and a production of

(Continued on page 50)





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**WILMINGTON SAVINGS FUND SOCIETY**  
**WILMINGTON, DEL.**

HOGGSON BROTHERS, NEW YORK

June 27, 1921

*Gentlemen:*

With the acceptance of our Bank and Loft Buildings, we feel that we cannot refrain from expressing to you in writing, as we have often done verbally, our appreciation of the handling of our contract, not only in the liberal spirit in which you have interpreted conditions, but also in the character of work, both as to planning and executing. We could use many superlatives in our expression of appreciation of your work, but believe we could not make it any stronger than to simply state that the work is entirely satisfactory from every angle. Again thanking you for many considerations, we are,

Yours respectfully,

*J. H. Hoggson* President

**HOGGSON BROTHERS—NEW YORK-CHICAGO**  
*Bank Builders*

## Cotton Bestirs Itself and Wheat Is On the Move— Both Hopeful Signs for Business

BY ARCHER WALL DOUGLAS

**A** RECENT nation-wide survey of prevailing conditions gives us definite knowledge upon which to base our conclusions as to the probable trend of things in the immediate future. Not conglomerate statistics of unrelated matters violently joined together, nor yet sure systems of forecasting coming events which are broken reeds to lean upon, but homely facts about the homely people who make up the country and upon whose welfare our entire structure depends.

The story is much the same everywhere. A partial and unequal harvest. Plentiful

commercial welfare hangs upon the demand for farm products and their consequent prices for the year. All other "barometrics," dear to the statistical mind and to professional forecasters, are as nothing by comparison, and can be relegated to the scrap-heap where they belong.

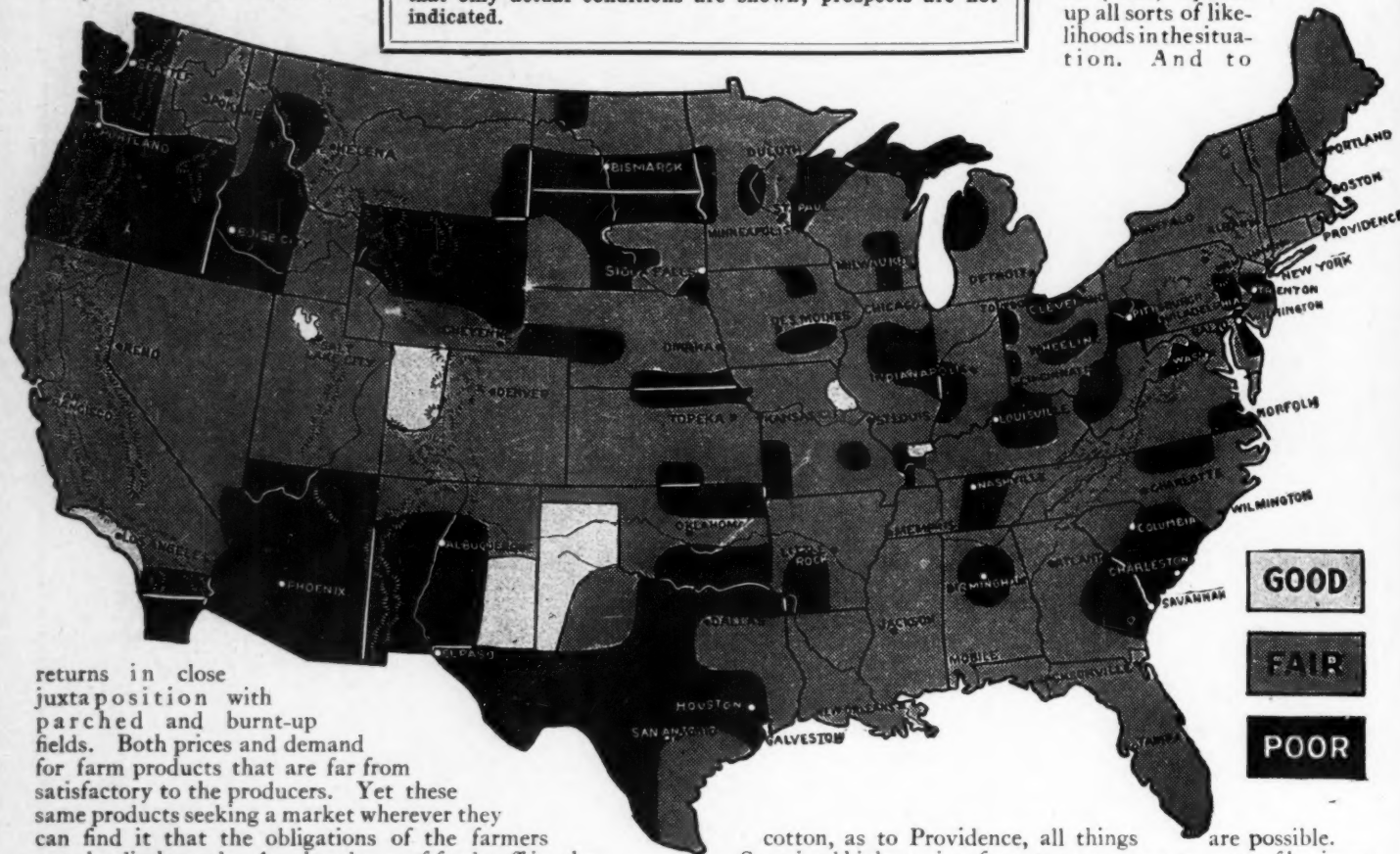
Fortunately, at this writing, Europe is importing largely of our grains, and the exports of cotton from July 1 to date are more than double those for the same period of last year.

Cotton, as usual, has done the unexpected. For the official estimate of only 7,000,000 bales, the smallest yield in 28 years, opened up all sorts of likelihoods in the situation. And to

### Business Conditions, Sept. 11, 1921

**THE DOUGLAS MAP** shows at a glance the general conditions of the country. Light areas indicate good crops, industrial activity, and "high pressure" buying markets. In the black areas these conditions are lacking. The shaded areas are half way.

In studying the map it should always be borne in mind that only actual conditions are shown; prospects are not indicated.



returns in close juxtaposition with parched and burnt-up fields. Both prices and demand for farm products that are far from satisfactory to the producers. Yet these same products seeking a market wherever they can find it that the obligations of the farmers may be discharged. An abundance of foodstuff in the country despite small yields in some grains.

An enormous inflow of wheat to market in July and August indicated that there is nothing to that old stuff about farmers holding back supplies to artificially force up the price. Likewise that there is more wheat in the country than official figures declare. Most of all there comes the sentiment and belief—sensed rather than expressed—that farming life is entering upon a new and far-reaching era of its existence. One that promises to be characterized by nation-wide and intelligent cooperation and which shall determinedly seek to solve that ages-old feeling that the producer does not receive his full share of the results of his production.

Those familiar with the situation, with the nature and intent of the movement, and with the sober common sense of the countryside, have but small apprehension as to its outcome, since they are well assured that the ultimate result will be rather for the general good than merely for the benefit of a large and vital class.

One matter is most apparent in the horoscope of the future. That the measure of the volume of business and of our com-

cotton, as to Providence, all things are possible.

Sustained higher prices for cotton mean an amount of business in the South that can come from no other cause. Nor does it seem likely that there will be that fatal and futile holding of cotton for impossible higher prices that characterized the previous season. The memory of that desperate mistake and its enduring consequences are too recent to bring its repetition.

One possibility is at least worthy of passing thought. If there be a demand of any moment, both foreign and domestic, from now on, and this at least seems likely, the greater portion of the carry-over of cotton in this country will have been practically used up by July of next year. With general business and readjustment on an ascending scale, both at home and abroad, we shall be facing a situation where the greater part of the world's supply of cotton will depend upon the growing crop in this country. What such a contingency means to the prosperity of the South sounds too optimistic to put in cold print.

Already the new phase of the situation finds expression not only in a widespread more cheerful feeling in the cotton belt, but also in somewhat freer buying. This is true likewise in the grain regions, where farmers are liberally marketing hogs, wheat and corn.

(Continued on page 34)

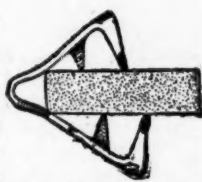


# You Big Business Men! Just a Moment of Your Time

After You Read This Page, Tear It Out and Give It to the One Whom It Will Benefit the Most

This is just a little story—a story of belt lacing. But belt lacing is important. First, because it joins your expensive belts; and, second, because machinery, men and production stop when it breaks.

You were probably "brought up" on the leather lacing as you were on a horse and buggy. Now the buggy has yielded to the auto—and lace leather—

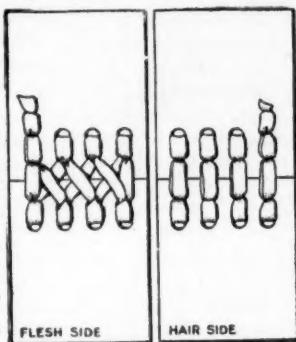


Actual size of No. 25 Alligator for single leather or 4-ply fabric 3-16 to 9-32 thick. Note double staggered teeth.

But if you're using Alligator, you know. If you are not, this story will interest—and, BENEFIT you.

## You Hammer It On.

Alligator Steel Belt Lacing was brought out ten years ago. Since then millions and millions of belt ends have been joined with it. That it has replaced other lacings and won its present prominent place is due to these following advantages: Alligator Lacing can be put on the average belt in three minutes. Any-



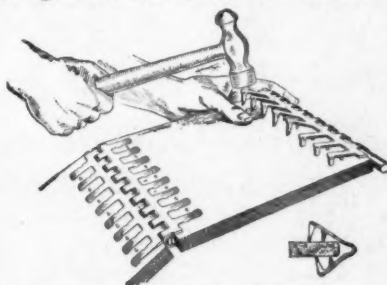
Correct thong lacing. One of the best until Alligator came.

one can do it. Nothing but a hammer needed. Makes a smooth flexible joint that is permanent and will not stretch or yield. Does not reduce strength of the belt, because teeth penetrate edgewise and clinch around the long strength-bearing fibres of the belt.

Belt can run on both sides, against idlers, etc., because both sides are smooth and the joint no thicker than the belt. Our patent sectional steel-rocker hinge-pin entirely overcomes difficulties encountered with a hinge-belt lacing in using rawhide hinge-pins. Think a moment in comparing this modern way with other methods of lacing belts.

## A Help to the Belt Manufacturer

Did you ever stop to consider how important, also, is belt lacing to the belting manufacturer? He makes the



Nothing needed but a hammer to apply it—and you already have a hammer.

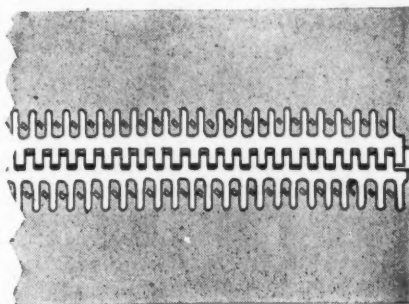
best belt he knows how. He sells it well—and then it is punched full of holes, and entrusted to a few cents worth of lacing. If the lacing breaks, they talk about the belt. If the lacing stretches crooked and the belt rips in two or flaps, they talk about the belt. If the lacing tears out the punch holes, they talk about the belt.

No wonder belt manufacturers recommend Alligator.

## Alligator Lacing Is Proven

For the past three years we have been behind in orders—but they were not war orders. They came from our eleven hundred jobbers located in every corner of the globe. These orders represent the decision of thousands of plant owners, factory superintendents, etc., to use only Alligator lacing.

The American Manufacturer, the Brazilian Sugar Grower, the English Weaver, the South African Miner, the Japanese Toy Manufacturer, the Australian industries—and thousands, yes, literally millions—of men have come to know and use Alligator Steel Belt Lacing. There is no stronger proof of value.



Section of belting laced with "The Strongest and Best Lacing on Earth"



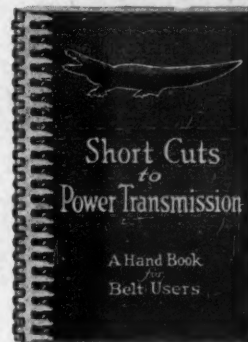
Showing teeth disengaged with rocker hinge. And in proper position back to back. Also completed joint.

## Other Metal Lacings

There are other metal lacings. We want you to realize this, although on that point, for competitive reasons, we have little to say. Suffice it for us to state, and to be willing to prove for you, that no other lacing of any sort ever devised has all the points of advantage possessed by Alligator—"The Strongest Belt Lacing on Earth."

## Write for This Book

Just recently we completed a 64-page book, "Short Cuts to Power Transmission." It was designed to simplify belting selection, care, uses, calculations and installations. It gives authoritative data, very carefully worked out in plain English, using the shortest possible road to reliable results.



That such a book was needed is shown in the call which we received for it from thousands. Technical and Engineering Schools, Agricultural Colleges, Engineers, Chief Executives and even office boys (the men of tomorrow) have answered our announcements.

We'll be glad to send a copy to you, too, with one or two extra for placing in good hands. That is what the coupon is for.



"Never Lets Go"

Reg. U. S. Pat. Off.

## Flexible Steel Lacing Co.

4626 Lexington St., Chicago  
135 Finsbury Pavement, E. C. London

Flexible Steel Lacing Co.  
4626 Lexington Street, Chicago.

Gentlemen: Without obligation on our part, kindly send us price lists and complete details on Alligator Steel Belt Lacing. Also,.....copies of your book, "Short Cuts to Power Transmission."

Firm Name.....

Address.....

Name of Inquirer.....

## How to sell in the business field

ONE REASON why it costs so much to sell in the business field is because it is so hard to concentrate selling effort in the fields of richest returns:

- to cover all the live prospects that *can* buy your goods and *will*;
- and to waste effort on *nobody else*.

Both vast and complex is this great machine which serves the wants of 105,000,000 people. It not alone *produces* the goods by which the nation lives, but *consumes*, itself, the raw materials of manufacture and the tools with which it does business.

Here is one of the richest of all markets. Where, among the 2,000,000 firms that make it up, is the sales manager to concentrate his selling effort?

The method is not so difficult as it appears: *It is to direct the most intensive effort on the few big firms that transact the major part of the nation's business.*

It is surprising, as a matter of fact, the extent to which a comparatively few business firms preponderate in the total amount of business done: More than 80 per cent of the country's manufacturing business is done by only 25,000 firms.

Considerations of selling strategy point to the careful cultivation of these *big* customers *first*. But how to concentrate on them? What publication is the advertiser to choose to reach them—and only the executives in them with responsibility for purchasing decisions?

Here is a group of men who run a thirty-billion-dollar-a-year business. Will you do business with them? Our representative will gladly confer with you on your selling problems in this important field.

*Address the Advertising Department*

## THE NATION'S BUSINESS

Washington Office  
Mills Bldg.

New York Office  
1400 Woolworth Bldg.

Cleveland Office  
1118 Ulmer Bldg.

Chicago Office  
801 Otis Bldg.

The commercial world will not reap as much benefit from this as surface indications seem to promise. For a very considerable proportion of the money the farmers receive for their products will go to settling the obligations carried over, and the banks will get theirs first, and they are past masters in this art. In some sections when banks and dealers have been satisfied there will not be much left for the farmers for new purchases. Yet when all has been said the situation will be far better than at present.

The railroads offer another phase of an earnest and unceasing effort being made to reach a solid basis of business operation. Recent traffic returns indicate that some of the roads have changed a former continuing deficit into a small net revenue of profit. But it was solely by a radical reduction in expenses, some of these expenses being the omission of urgently needed outlays in upkeep which necessity demanded be left undone for the time being. This is good judgment for the nonce, but false economy if too long persevered in. The only real remedy, of course, lies in an adequate increase in volume of traffic, and the recent experience of the roads does not indicate that it can be had by general reduction in freight rates unless there already exist a sufficient demand for the commodities so affected.

### The Case of Lumber Rates

A short time ago a reduction on certain forms of lumber was put into effect at the urgent request of the shippers, but there was no consequent and proportionate increase in shipments and the reason was not far to seek. Freight rates were one of the factors, the price of lumber, which had also declined, being another, but the cost of construction, still another factor, remained so high that the demand for lumber is only about 70 per cent of what it should be. So that building cannot proceed in any volume of moment until all the factors entering into it have reached common agreement in relation to the cost of operation.

The matter, baldly stated, is that even at present high rates the roads are not doing enough business to place them all on a satisfactory paying basis. It is obvious, therefore, that they will be only worse off unless they can have reasonable grounds for belief that a reduction in rates will bring forth an increased tonnage that will more than compensate for the reduced charges. It is also equally obvious that this will naturally come only as one of the concomitants of a more general revival in all forms of business.

Some of the problems of transportation seem to be in process of solution through the medium of the motor truck and the electric interurban road. More especially as regards short hauls in which the latter have developed promptness of receipt and delivery that in many cases the steam roads cannot hope to compete with because of the size and complexity of their own terminals. The newer methods are consequently building up little centers of distribution throughout the country and tend to disturb, if not break down, that economic delusion that the great city and the huge manufacturing center are the only places where service and quality are to be had in the highest forms of their expression.

Both socially and economically it is fortunate for this country that we have a constantly increasing number of small capitals, and not, after the fashion of the Old World, one huge octopus that grows abnormally and unhealthily at the expense of the rest of the country.



Among the new conceptions of farming that are becoming general is the realization of the necessity of its being conducted on the basis of a business with all necessary equipments and sufficient capital if it is successfully to surmount the difficulties which otherwise will always be its portion. It means farms suitably provided with live stock and with equipments of machinery for all crop purposes, with labor-saving appliances, with storage warehouses such as barns and silos, as well as those sanitary appliances and matters of convenience and comfort that we have come to regard as necessary to our existence in towns and cities. How fast this condition in its various phases is coming to pass can be gathered from the figures of the increasing sales to farmers of electric lighting plants, the installation of running water in farm houses, and those of the manufacture in 1920 of over half a billion dollars worth of farm implements.

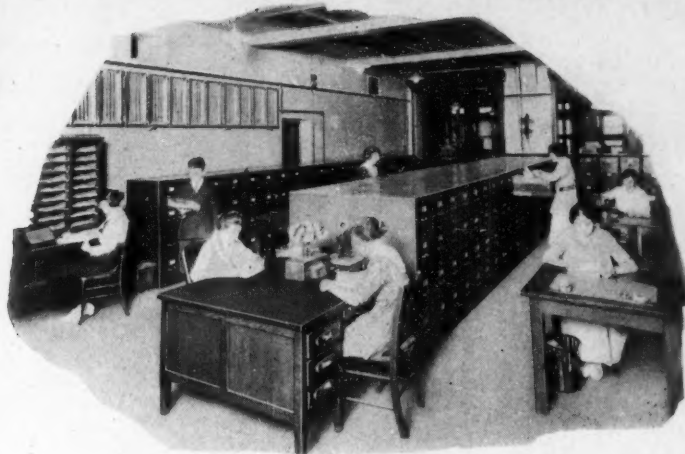
We are beginning to draw all sorts of conclusions about all sorts of things from the figures about everything furnished by the 1920 census. The truth is that we can never be sure of the correctness of our deductions unless we know a good deal more about the facts than is conveyed merely by the figures themselves. Be that as it may, we nevertheless get some comfort from the figures that indicate that the rate of increase of tenancy on farms has decreased in percentage very perceptibly during the past decade. From which the deduction is drawn that the increase itself has probably reached its peak. Naturally we shall always have tenancy with us and it is both necessary and desirable, if for no other reason than that it is the most practicable method in general of ultimately becoming a farm owner. The renter who is incurably so, either from lack of inclination or of ability, to own his own land, is a very different story.

Contrary to the usual belief he is usually more productive per man than the owner and also more in proportion to his equipment, because it is a case of must. But he mines the land rather than farms it, since he extracts all he can from it and returns nothing, for he has no interest in maintaining its value nor in keeping up soil fertility. He takes but scant interest in the welfare of the community in which he lives, for he is usually a bird of passage, here today and there tomorrow. Nor has he that sense of obligation and of responsibility which almost invariably accompanies and marks ownership of land. So we are apt to regard him differently from Abou Ben Adhem and to trust that his tribe may not increase.

### Light on the Far East

JOHN COTTON DANA, public librarian in Newark, N. J., is distributing to banks, importing and exporting houses, public officials, and other libraries, sixteen lists of books dealing with the Far East. In a note accompanying the material the hope is expressed that this may "lead the readers to take an intelligent interest in far eastern peoples, and to begin to understand them and to realize that they are worthy of respect and sympathy. If we could do this we dare hope that a few of these readers would look for opportunities, through business careers, to come in close contact with the Orient. All this, because we feel sure a peaceful solution of the problem of the relations of the Orient and Occident is what mankind now most needs."

# L



Central Filing Department, National Carbon Co., Cleveland, O. L. B. Automatic Index with steel vertical unit cabinets installed by Library Bureau.

## Can L. B. Centralized files keep down expenses in your office?

They can, as they are doing in many thousands of offices, large and small. Since L. B. Centralized filing was adopted by the National Carbon Company of Cleveland, Ohio—handling about 3,000 pieces of mail a day—they report the most efficient file service they have ever known, with actual demonstrations of time and labor saved.

Library Bureau will tell you the most effective method of centralizing your files. It will tell you whether your filing system should be alphabetic, geographic, numeric or L. B. Automatic. It will show you how to take full advantage of your present equipment. And it will create, if necessary, special systems to suit your particular needs.

Library Bureau salesmen are prepared to give you the expert information you want about your filing problems. Call one in today, and get his recommendations based on our experience and study in over 125,000 offices.

Write for illustrated folders describing centralized filing

# Library Bureau

Card and filing systems

Filing cabinets wood and steel

Founded 1876

**Boston** 43 Federal st. **New York** 316 Broadway **Philadelphia** 910 Chestnut st. **Chicago** 6 N. Michigan ave.

Albany, 51 State Street  
Atlanta, 102 N. Pryor Street  
Baltimore, 14 Light Street  
Birmingham Vault Floor Jefferson County Bank Bldg.  
Bridgeport, 989 Main Street  
Buffalo, 120-122 Pearl Street  
Cleveland, 243 Superior Arcade  
Columbus, 20 South Third Street  
Denver, 450-456 Gas and Electric Bldg.  
Des Moines, 203 Hubbell Bldg.  
Detroit, 1416 Washington Blvd.  
Erie, Pa., 323 Commerce Bldg.  
Fall River, 29 Bedford Street  
Hartford, 78 Pearl Street  
Houston, 1116 Texas Avenue

Indianapolis, 212 Merchants Bank Bldg.  
Kansas City, 215 Ozark Bldg.  
Louisville, Ky., 508 Republic Bldg.  
Milwaukee, 620 Caswell Block  
Minneapolis, 428 Second Avenue, South  
New Orleans, 512 Camp Street  
Newark, N. J., 31 Clinton Street  
Pittsburgh, 637-639 Oliver Bldg.  
Portland, Me., 665 Masonic Bldg.  
Providence, 79 Westminster Street  
Richmond, 1223-24 Mutual Bldg.  
St. Louis, 805-815 Arcade Bldg.  
St. Paul, 131 Endicott Arcade  
Scranton, 409 Connell Bldg.  
Springfield, Mass., Whitney Bldg.  
310 Main Street.

Syracuse, 401-407 Gurney Bldg.  
Toledo, 620 Spitzer Bldg.  
Washington, 743 15th Street, N. W.  
Worcester, 527 State Mutual Bldg.

**Distributors**  
F. W. Wentworth & Co.  
San Francisco, 539 Market Street  
Seattle, 912 Third Avenue  
Oakland, 305 Thirteenth Street  
McKee & Wentworth  
Los Angeles, 440 Pacific Electric Bldg.  
Parker Bros.  
Dallas, 1918 Commerce Street  
C. G. Adams  
Salt Lake City, 204-206 Ness Bldg.

### FOREIGN OFFICES

London

Manchester

Birmingham

Cardiff

Paris



First, the Flexo-Type-setter sets the type for you. It is simple, speedy and without mechanical complications. A line at a time, the type are set in a segmental drum.

PRINTED ON THE MULTIGRAPH

## THE AMERICAN MULTIGRAPH SALES COMPANY

Executive & General Offices E. 40<sup>th</sup> St. & Kelley Ave.  
Cleveland, Ohio, U.S.A.

October 1st, 1921.

### TO EVERY BUSINESS EXECUTIVE:

It is a little unusual for a manufacturing executive to write a general letter on a selling question; but there is a good reason for it in this instance.

There is a condition in our Multigraph market that is very similar to one frequently encountered in the field of production. There will often be a dozen different makes of machines for the performance of the same operation, and all of them may have their good points; but there is nearly always one that is the standard machine for any particular operation, because it combines the good qualities of all of them.

It is very much the same way with the Multigraph in business. The things that make it the success that it is have really made it the standard machine for the quantity production of typewritten letters. That this is a true statement is shown by the fact that all process printed letters are commonly described as "Multigraph-ed" letters, whether they were made on the Multigraph or not. It is true, of course, that the word comes from Latin and Greek words which signify "many" and "write", but the widespread use of the term is undoubtedly due to the success of the Multigraph itself.

Now the facts are that in fidelity to the original, in speed and economy, and in the attractiveness and naturalness of its product, the Multigraph has time and again proven itself to be the best tool obtainable. And that is why we are trying to impress on everyone the truth that you can't get a real Multigraph-ed letter, with its proven effectiveness unless you make it on a Multigraph.

Yours truly,

*R. G. A. Phillips*  
R. G. A. Phillips  
First Vice President



Second, you transfer the segmental drum on which the complete letter has been set up, to the Multigraph, and lock it into place.

# "MULTIGRAPHed"

**When a Man Wants to Think**  
1921 will be remembered as the year when buyers did a lot of thinking. And the people who had a good year in 1921 (and there are going to be a lot of them) will recall it as the year in which they gave buyers plenty of good information to think about.

There are more ways than one of placing the facts before your market, but there is none that does a better job than a good intelligent letter. Every office has a routine method of filing letters, and they are more easily and consistently saved than probably any other form of sales literature. And it is the literature that is kept that is called for when the time comes.

**One Thing You Must Prove**  
Talk shop to a man in any business, and

he will tell you there are too many people in it. What he really means is that conditions and competition between them are making him prove his own right to stay in business.

It is something of a mystery why more business-men do not go out to meet destructive tendencies with constructive activities. The only right policy in these days is one of everlasting aggressiveness, and of every tested method there is for creating business.

No one who knows his way around in selling circles has any question about the tremendous value of mail activity in the development of orders. A lot of the questions you may want to ask about mail selling are answered by the booklets listed on the little coupon, and you will be welcome to one or more of them, if you will but ask.





Third, you place a Multigraph ribbon (same as a typewriter ribbon, but larger) around the segmental drum.



Fourth, you fill the automatic feed with letterheads, start the motor, and the Multigraph typewrites the letters. If desired, the operator can set up or distribute the type of another letter while the other is being run.



***There is but one kind of Multigraphed letter—the kind that is produced on a MULTIGRAPH***

**FILL IN AND MAIL THIS COUPON NOW!**

AMERICAN MULTIGRAPH SALES CO., 1802 E. 40th, Cleveland, Ohio—I would like to know how Direct-Mail can pay its way in the \_\_\_\_\_ business. And I would also like you to fill the requests checked below.

- ☐ Send me the booklet, "How to Compile a Mailing List"
- ☐ Send me the booklet, "Following Through With Follow-Up"
- ☐ Send me the booklet, "How to Sell In a Buyers' Market"
- ☐ Send me the booklet, "Blazing the Trail—The Right Way to Make a Start in Advertising"
- ☐ Send me information about the Multigraph
- ☐ Send a representative to tell me about Direct-Mail Selling and how the Multigraph makes it so economical.

Firm \_\_\_\_\_

Name \_\_\_\_\_ Position \_\_\_\_\_

Street \_\_\_\_\_

Town \_\_\_\_\_ State \_\_\_\_\_ Nat. Bus. Oct.



# Stop

fraudulent check alterations;  
they endanger your bank balance.

Safeguard yourself without cost.

Frequent newspaper stories tell of mail-box robberies and other schemes, promptly followed by raised check losses suffered by those bank customers whose checks are thus illegally procured.

With a book of Super-safety checks, without any charge, a \$1,000.00 bond is presented to their depositors by thousands of live bankers all over the United States.

Their depositors enjoy superior protection—safe checks insured against "crooked check raisers," who are a constant menace and who fraudulently obtain millions of dollars through their manipulations with uninsured checks.

Ask your banker for these checks or write us for the name of one who will gladly accommodate you.

LOOK FOR THE EAGLE DESIGN  
ON EVERY CHECK YOU SIGN  
Protected by individual bonds of  
The American Guaranty Company.  
These checks are the safest you can use



\$1,000.00 of check insurance  
against fraudulent alterations,  
issued without charge,  
covers each user against loss.

## SUPER-SAFETY Insured BANK-CHECKS

### The Bankers Supply Company

The Largest Manufacturers of Bank Checks in the World

NEW YORK  
ATLANTA

CHICAGO  
DES MOINES

DENVER  
SAN FRANCISCO

## The Human Side of Business

By FRED C. KELLY

**W**HAT possible relation can there be between the disappearance of pick-pockets and modern business courtesy?

Police authorities know that pocketpicking is practically an extinct form of endeavor. A crude worker may still occasionally try to lift a watch at a county fair, but, generally speaking, this brand of thieving is no more. It has gone the way of buffalo lap robes, pug dogs, Sunday buggy rides, beefsteak for breakfast, and torchlight processions. Why? Because pocketpicking is no longer a gainful occupation. The risk is as great as ever, but the rewards small. Most people carry only small amounts of money with them. A bright, active young pickpocket might frisk the pockets of everybody in a street car and not get more than one hundred dollars. People carry not money but check books. The money is in banks. This is really a radical change from the old days when it was a common practice to carry all the money you possessed right in your pocket.

What has brought about the change? The attitude of the banks. They cater more than ever before to the small depositor. If a man wishes to open an account and start off with \$2.50 or even less, he receives the same courteous consideration that would be accorded the customer depositing thousands. Only a few years ago, a person with small savings looked upon bankers as a crusty lot and kept away from such institutions for fear of being insulted. Today even the majority of the safety-deposit boxes are held by persons of comparatively modest means. Banks have simply followed the changed attitude of business in general. All business has been growing more courteous every year. And this spread of courtesy is the basic reason why pickpockets are now rarely heard of.

Did you ever notice, by the way, how courteous are even the humbler employees of a circus? No matter how silly a question you ask a rough-looking circus man, he gives you a decent answer. Circuses, with their success resting entirely on public good will, know that they cannot afford to have any individual offended by word or act of any man in their employ.



"This thing of being efficient is all right," observes an expert, "but it can be carried to extremes. I know a young couple who landed in divorce court—all because they were trying to plan an efficiency kitchen and couldn't agree on whether the stove or the sink was the center of activity."

A hotel cashier, who had just refused to cash a check for a captious stranger, remarked: "When a man gets mad over being asked for a personal identification, it is usually either because he is from a small town, where everybody knows him, or else because he is dishonest and is merely putting



on a show of indignation. If he is prominent in his own small town, then there is some excuse for him if he forgets that he is not as well known when he is away from home."

Wholesale credit men, who deal with customers at a distance, and cannot look them in the eye, nevertheless come to have wonderful keenness at sensing the human factors in a situation. The credit manager of a New York concern wrote to a lawyer, and to a bank, in a small Ohio city to ask for the financial standing of a young merchant there. In the replies a wide discrepancy was shown. The lawyer was positive that the man should not be trusted at all, but the bank was certain that he might safely be allowed any reasonable amount of credit. Instantly the credit manager declared: "Neither is right. The truth is probably midway between. I'll wager that the lawyer has a personal grudge against the man, because of some mix-up over a case in court; and the man probably has a note coming due at the bank. They want him to have credit, so that he can make enough money to pay off his note. Each is a prejudiced observer." And this estimate of the situation proved, on further inquiry, to be correct.

A man was lamenting his wife's extravagance—but more in sadness than in anger. "Her parents were thrifty Scotch folk," he explained, "and they failed to teach her proper business principles. She was taught only to save her money—never how to spend it intelligently."

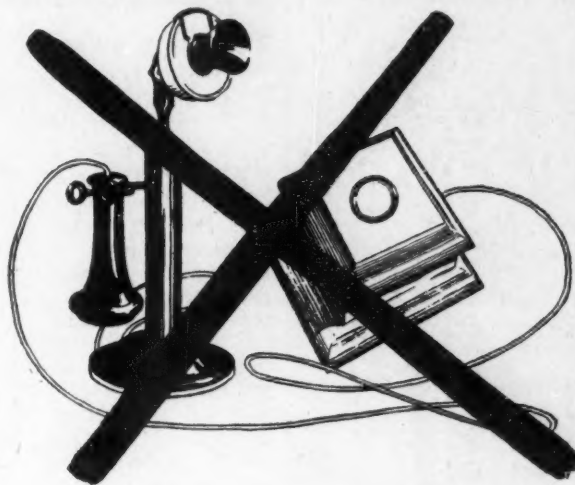
I have just heard a story about a fellow who conducted a successful little peanut stand and was regarded as the best peanut-vender in his town. He grew ambitious, added a line of popcorn—and went bankrupt. Many business men go broke for precisely the same reason—for failing to realize their own limitations.

Newspapers are poor advertisers of their own wares—that is, of advertising. Nearly every successful newspaper runs statements something like this: "We carried 4,000 more lines of advertising last month than our two nearest competitors combined." This may only prove that the paper is so crowded with advertising that when *your* ad appears it may not easily be found.

I read this morning two newspapers, each complete enough as to news, but one far more entertainingly written than the other. The more entertaining paper also happens to carry less advertising—because it has less circulation and the advertisers think, presumably, that its rates are less of a bargain. But here is what I noticed:

It took me longer to read the more entertaining paper. Instead of just glancing at the headlines, I read many of the items clear through. Several of them were worth while, apart from the news, just for the clever way in which they were written. The longer it took me to finish a page of the paper, the more my eye chanced to fall upon the advertisements that page contained. This was all the more true because each page contained only a few advertisements in comparison with its more prosperous competitor.

It seems to me, therefore, that the advertisements in the more entertaining paper ought to bring better results for each thousand of circulation. At any rate, isn't this something for advertisers to think about?



## Not These! Get Instantaneous Action!

**W**HY press a button—and wait for an answer? Why telephone all around your office—and wait for an answer? Why leave your desk and walk "all over the place" looking for someone to answer?

### Why Search, When You Can Sit at Your Desk and Get Immediate Service?

The Dictograph System enables the executive to confer with one, two or more members of his staff at any minute of the day, separately or together. Conferences can be held over the Dictograph as easily and as effectively as if all the parties were in the same room—without interfering with the complete, direct, automatic and efficient intercommunication afforded by the rest of the Dictograph System.

If a Master Station is called while the executive is absent from his desk, the identifying signal remains in sight until he establishes communication. The executive always knows who is calling. He always has right of way and secures immediate attention.

### No One Can Cut in on a Master Line

The executive can take a confidential message silently, or he can let the loud

speaker deliver the other fellow's conversation in clear, loud and distinct tones.

Hundreds of nationally known executives consider the Dictograph Systems indispensable, because it brings the members of the organization face to face regardless of the distance between them. No one leaves his post; there is no running around, noise or confusion.

### Give Us 5 Minutes To Show You

Fill out and mail the coupon and without any obligation to you we will show you in less than 10 minutes how the Dictograph conserves time; how it snaps up efficiency; how it expedites routine.

Give us 10 minutes to show you—positively no obligation on your part.

### DICTOGRAPH PRODUCTS CORPORATION

CHARLES H. LEHMAN, President

220 West 42nd St. (1370 Candler Bldg.) New York



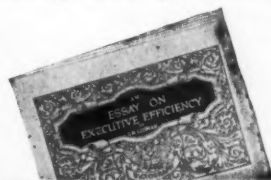
Dictograph Products Corporation  
220 West 42nd St. (1370 Candler Bldg.) New York

☐ **5-Minute Demonstration.** You may give me a 5-minute demonstration of the Dictograph, with the understanding that it places me under no obligation.

☐ **Free Booklet.** You may mail "An Essay on Executive Efficiency," which analyzes the problem of intercommunication.

Name \_\_\_\_\_

Address \_\_\_\_\_  
(Please attach to your letterhead) N.B.10-21



Send  
For  
Free  
Booklet

# The J. G. White Management Corporation

MANUFACTURING, FINANCIAL

AND

MANAGEMENT PROBLEMS

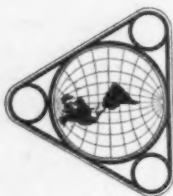
New York

INVESTIGATIONS and REPORTS

ON

BUSINESS CONDITIONS

43 Exchange Place



## Nation's Business Observatory

Pounding away at the tax bill—Waste as a dozen leaders of industries see it—The irrepressible Henry Ford as a reviver of railroads—Hoover's new monthly is welcomed

**T**HE Congressional recess, leaving the tax revision measure in the hands of the Senate Finance Committee, has given industry time to consider its provisions. A tax bill that met general approval has yet to be drafted, so it is not to be wondered at that the Fordney measure is under fire from several quarters.

A general criticism that the bill does not form a forward looking program of tax revision is voiced by the *Commercial and Financial Chronicle*, which says that it would be far better to have no tax legislation at all at this time than accept the results of ill-considered action like that embodied in the House Bill.

Moreover, asks the *Chronicle*, why hurry if the repeal of the excess profits taxes and the reduction of the surtaxes on incomes are not to become effective until January 1, 1922? The *Chronicle's* conclusion as to the bill is:

In brief, the bill under consideration does not provide for genuine tax revision—revision downward through repeal and reduction. The most burdensome taxes are left untouched or replaced by others equally burdensome. In the direction where immediate relief is especially urgent, relief is postponed instead of being advanced. Generally speaking, the bill is a makeshift, framed to appeal to the masses, and a sham. Possibly the Senate will change the bill for the better, but in the absence of such improvement, the best thing that could happen would be for Congress to go home and stay home. It will be better to let tax legislation at this stage fail than that the present tax problem shall not be settled in the right way, in accord with economic needs. And if the revision of the income tax is not to become effective until another year, it will not matter anyway, even if months are allowed to elapse before new legislation is enacted. Delay at least would give opportunity for more deliberate action and for leisurely consideration, besides allowing time for public sentiment to make itself felt.

The *American Banker* also sounds a disapproval of putting off the welcome day of real relief, saying:

Organizations of business men in every part of the country are registering their protests against the failure of the House bill to make the excess profits tax and the income surtaxes effective as of January 1, 1921, not so much on account of the heavy payments involved, as of the further uncertainty which these tax schedules will inject into business for another year. It is not too late to agitate for revision of the tax bill, in its further passage through Congress, to meet the requirements of business in the rough road that lies immediately ahead.

The chief defect of the tax bill is that it does not provide genuine tax revision—at least for another year. The most burdensome taxes are either retained or replaced by others equally burdensome. What is needed just now is urgent relief and not relief for next year or the year after.

**IS THE Fordney tax bill a forward movement? The trade press thinks it is a slow step and a short one.**

**Sore spots of business. Some surprising results of a symposium on industrial waste.**

**Henry Ford, miracle man or faker? His railroad enterprise stirs up some sharp comment.**

**The new Hoover industrial review. Some proposals to better it.**

Secretary Mellon's proposals, which preceded the introduction of the Fordney bill, and by which, says *The Economical World*, "the public mind was seriously shocked," stirred the ire of the *Manufacturers Record*, which says:

Small wonder that when the experts' tax

program, presented under Secretary Mellon's name, reached the House, majority leaders were thrown into a virtual panic. Maybe they did not know that a tax on peacock tails had proved unsatisfactory in the reign of the first Rameses, but they had enough political sense to know that American business, already staggering under the load of the worst commodity panic ever known, was in no mood to be buried under a weight of new levies. They suspected, too, that whatever the science involved in the matter, some millions of citizens would view with alarm, not to say indignation, a proposal to lower vigorously the surtaxes on all incomes of over \$50,000 and increase the surtaxes on all incomes between \$6,000 and \$50,000.

The pending bill, the *Record* concedes, is better, but still unsatisfactory. It sees a remedy:

The time draws near, as Senator Smoot has stated, when public opinion will demand the employment of the simple, highly productive and simply-collected sales tax, against which there has been offered so far no compelling objection. But in the meantime citizens everywhere may rejoice that the "despised politicians," who know something about taxation aside from its mathematical features, have broken away from the ice-bound academicians and have forced agreement to burden the country with half a billion annually less than the aforesaid experts had set their hearts on having.

The *Manufacturer's News*, of Chicago, is prepared even to waive the question of the date of the repeal of the excess profits tax if only the matter can be settled once for all:

It is the consensus of opinion in industrial and financial circles that the revision of taxes should be completed at once, whether the new law is to be retroactive or to be effective January 1, 1922. It is the uncertainty of the situation which upsets business and makes production uncertain and sluggish. Once the tax question is settled, the unemployment situation will automatically take care of itself because manufacturers will know what to charge for their products and retailers can lay in new stocks without the risk of losing good money. Business is built on confidence and there can be no confidence until one party to a transaction knows exactly what the other is able to do under given circumstances.

The *Dry Goods Economist*, a devoted supporter of the sales tax, is frankly disappointed with the measure:

The bill can hardly be regarded as a serious effort to meet the needs of the business interests of the country. Worse than this—even if the measure were all that it should be, vexatious and costly delay in its passage would still be inevitable. The Senate Finance Com-



mittee and then the Senate as a whole have yet to deal with the bill. Not only this, but there is no likelihood of any final action on the measure until the reassembling of Congress after the recess.

Altogether, the situation is one of which Congress might well be ashamed—all the more so because the express purpose of the special session was the enactment of revenue and tariff legislation. Apparently, November will be well under way before our national legislators succeed in reaching common ground and passing such a measure as will strike the shackles from business and wipe out the uncertainty which is inseparable from pending fiscal legislation.

This is an hour when business men must strike a blow in their own interest.

Get after those Senators and Representatives who can "see" only the farmer. Make 'em realize that the merchants and the manufacturers also have votes.

A call is made by *Oil, Paint and Drug Reporter* to the industry not to let down in the fight to have the tax on medicinal preparations entirely repealed. After expressing approval at the prospective passing of the excess profits tax and the transportation tax, the *Reporter* adds:

Strenuous efforts are being made to have the tax on medicinal preparations entirely repealed. Latest advices seem to indicate that the tax will be dropped from medicines and from dentifrices, which occupy a sort of middle ground in the group between the cosmetics and medicines. Success should not be taken for granted. Congress should be swamped with protests against a tax so discriminative, so unnecessary. It is time that the hoary policy of taxing the sick be finished and finished to stay.

### Henry Ford, Railroad Genius or Faker? The Two Opinions

WHATEVER may be Henry Ford's virtues or shortcomings as a manufacturer and as a railroad man, there can be no doubt of his ability at one thing. He can stir things up. Here is the way the *Railway Review* sees him:

It should be borne in mind that Mr. Ford is concerned with freight rates more from the point of view of the shipper than of a railway owner. In addition to shipment of his cars and the material entering directly into their construction, he ships a great deal of other material, such as sand, gravel, brick, etc., for use about his plant. All this increases the earnings of his road. But the important thing to remember is that if he can in any way bring about a reduction in freight rates on other railroads he can well afford to lose considerable on his little road and to charge the same to his manufacturing business, or to advertising. We are inclined to believe that he knew what he was doing when he ventured into the railway game, and that he had a definite purpose in mind in getting the matter before the Interstate Commerce Commission, and particularly in giving out his sensational interview. The public should weigh his selfish interests in the matter, together with his lack of worthwhile railway experience, before passing judgment. If this is done, his recommendations will be consigned to the junk heap from which he claims to have built a railroad. Meanwhile, he has profited by the publicity given his suggestions which, after all, may have been the real motive he had in mind.

*Railway Age*, which has collected and summarized most of the articles, disproving Mr. Ford's claims to railroad ability, prints prominently a letter signed "A railroad veteran," which contains this clause:

What Ford's propaganda is calculated to do—if successful in deceiving the public to

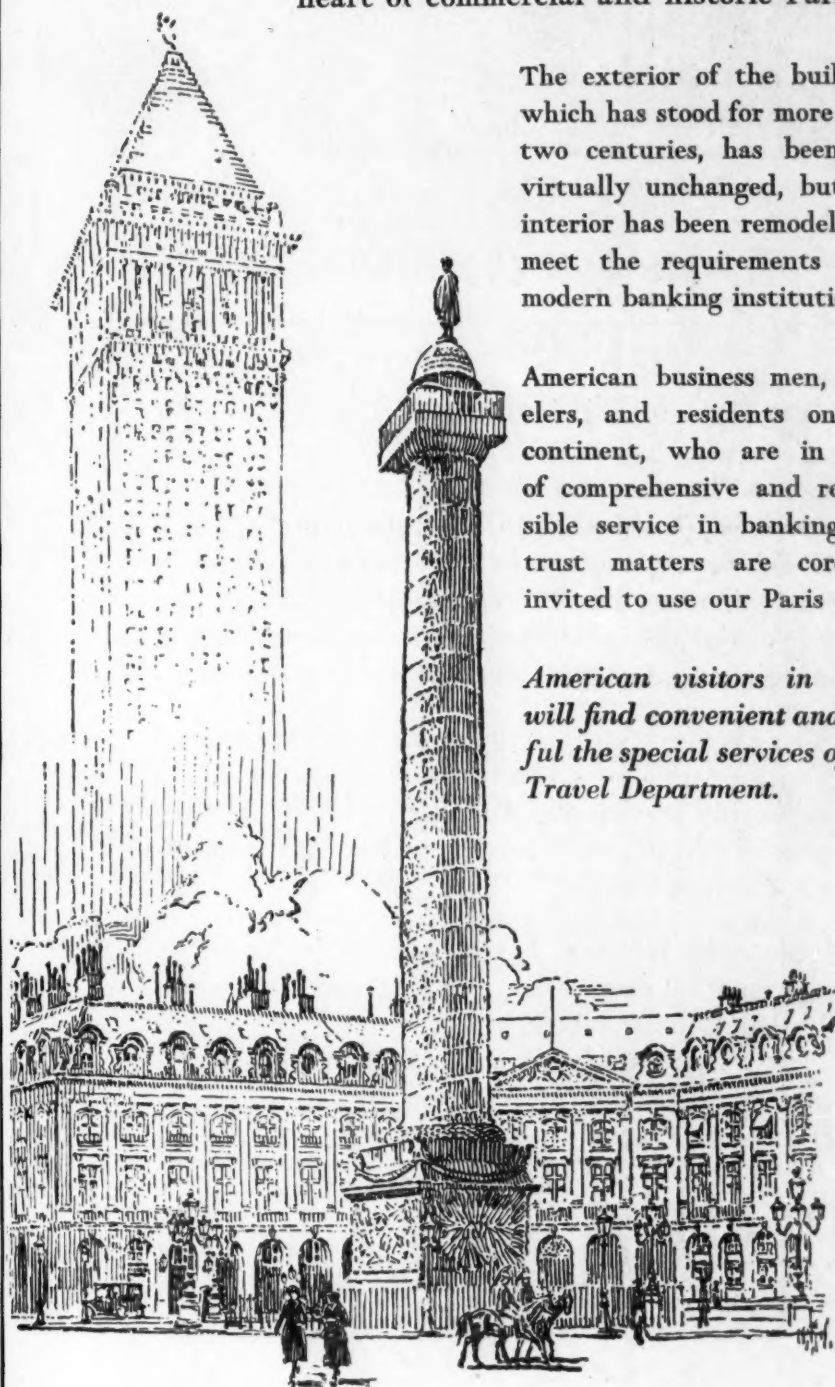
## BANKERS TRUST COMPANY OPENS NEW PARIS OFFICE

THE Bankers Trust Company of New York has moved its Paris Office from 16 Place Vendome, to 3 & 5 Place Vendome, formerly the Hotel Bristol, in the heart of commercial and historic Paris.

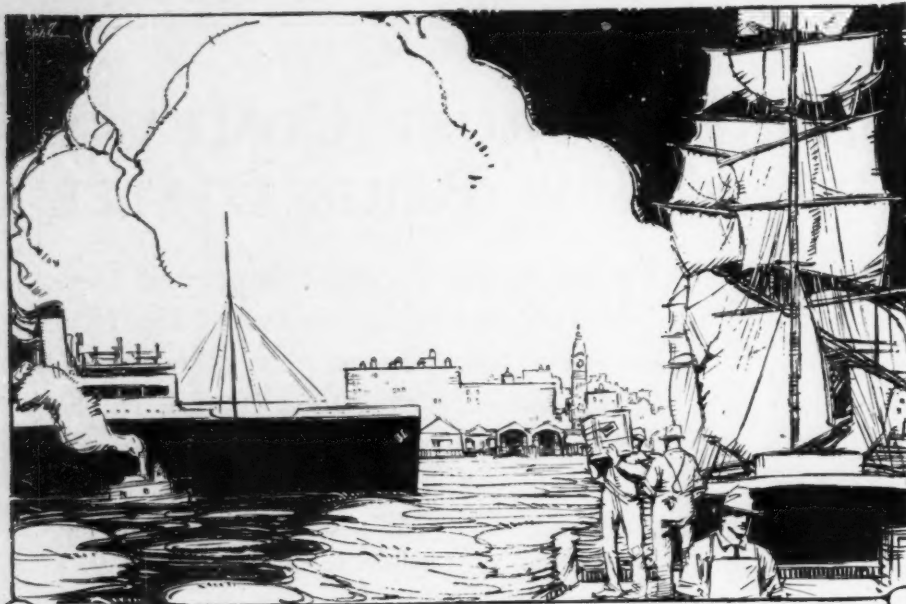
The exterior of the building, which has stood for more than two centuries, has been left virtually unchanged, but the interior has been remodeled to meet the requirements of a modern banking institution.

American business men, travelers, and residents on the continent, who are in need of comprehensive and responsible service in banking and trust matters are cordially invited to use our Paris office.

American visitors in Paris will find convenient and useful the special services of our Travel Department.



3 & 5 Place Vendome, Paris



## PHILADELPHIA, THE PORT OF INDUSTRY

PHILADELPHIA'S distinction of being the second largest port in the United States is proved by facts and figures. The import values for 1920 totaled \$282,157,831, the exports \$451,043,216, making together a sum of \$733,201,047, the greatest in the history of the port. In addition to volume, Philadelphia clears the widest variety of commodities with foreign lands the world over.

The ever increasing activity of the port has been accompanied by a corresponding extension of steamship service and the splendid facilities the port affords to merchants, manufacturers, exporters and importers.

This bank for years has co-operated with those engaged in developing the port and trade of Philadelphia and American commerce generally. It is well qualified to handle the banking end of foreign and domestic business.

## THE PHILADELPHIA NATIONAL BANK

PHILADELPHIA, PA.

the fullest extent—is to wreck our entire transportation system, which would precipitate a business calamity.

Another point of view is this, quoted from the same journal, and credited to an unnamed railroad authority:

Railroad men see in Mr. Ford's apparent success in transportation merely the result of his ability to obtain return tonnage on an extremely favorable basis from really great railroads and make his small line. It is even suggested that sooner or later this question will be investigated with a view to determining whether Mr. Ford has not discovered an ingenious method for evading the transportation laws regarding rebates.

Mr. Ford's enterprise gets a friendly word from the *Engineering News-Record*, which says:

Seemingly an effort has been made to disparage Henry Ford's operation of the Detroit, Toledo & Ironton Railroad. Wide publicity has been given to statements that revenues were increased largely by hurling all available Ford plant traffic over this line, which crosses practically every trunk line from the Canadian border to the Ohio River. It is probably true enough that the spectacular increase in traffic has been due directly to this cause, and how much has been due to traffic influence through better service is as yet unknown. But the fact remains that Henry Ford is operating this line with about 40 per cent less force than under the old management and is hauling a tremendously greater tonnage than before. This has not been disputed, and the remarkable increase in operating efficiency is obvious. The public will be more sympathetic toward willingness of the railroads to profit by the Ford object lesson than it will be toward efforts to discount efficiency that is established.

*Manufacturers Record* is willing to concede that Mr. Ford's factory gave him a great advantage in his railroad, but it doesn't believe that is all. A lot of red tape has been cut in the *Record's* opinion. This is its view:

Mr. Ford has everything in his favor in this peculiar railroad situation, but the value to the country will be that the discussion awakened by his work will rattle every dry bone in railroad management and force every railroad official to study as never before to see wherein red tape can be eliminated and better work achieved in the office and on the tracks. In this way Mr. Ford will be useful to the country.

Another idea is also credited to Mr. Ford in connection with railroad operation. He is reported as saying that railroad equipment is too heavy. If railroad cars were lighter there would, he claims, not be so much dead weight to pull per ton as there now is. It may be that for transporting coal and other bulky, loose materials the huge freight cars of massive construction and enormous carrying capacity are the most suitable and economical, but for merchandise freight, cars lighter and more easily handled than those now in use may be more advantageous is Mr. Ford's theory.

### Praise and Criticism of

#### Hoover's New Periodical

THE new publication of the Department of Commerce, *Survey of Current Business*, is hailed by the trade press as a notable step in carrying out Secretary Hoover's promises of concentrating industrial statistics from official and unofficial sources.

The secretary invited criticism and suggestion, and *Bradstreet's* makes this proposal:

It might be advanced that some plan of assembling the varied data in a small compass to afford what might be called a bird's-eye view of the various activities is desirable. We



are not sure that this is possible, but would suggest its trial. Another thing that occurs to the mind is that in presenting figures of trade or output in value the effect of recent price rises or declines upon the volume of the traffic itself might be brought out. To cite an instance, foreign trade expressed in dollars alone does not give a clear idea of the extent to which price expansion has entered, and sometimes warped comparisons. If Secretary Hoover can arrange to include a measure of the real volume in tons or pounds of the aggregate trade in each month or year, as, for instance, is done by the British Board of Trade, the results would be valuable. In import and export totals, for instance, the tonnage of ships entering and clearing is, we believe, only an approximation of the quantities of products entering or leaving. It is, in fact, to be respectfully submitted that, with the past seven years of price inflation in mind, there is an unreality about comparisons of values only that might be cleared up if some basis of quantities as well as values were obtained and put in with the other valuable material appearing in future issues of the *Survey of Current Business* by our progressive and constructive Secretary of Commerce.

The comparisons invited by the index numbers of the *Survey* give courage to *Coal Age*, which gathers that coal was not the worst of the summer's sufferers:

Using the average monthly production in 1913 as 100, the index figure on production of bituminous coal in June is 85, of anthracite 105.

Compare this with 79 (in March, the latest figure) for the total revenue freight carried by railroads, with 68 for exports of cotton, 72 for production of wheat flour, 58 in March for production of condensed milk, 89 for cigars, 42 for pig iron production, 40 for steel ingot production, 19 for copper, 62 for zinc, 55 for actual production of knit underwear, 76 for production of news print paper, and 81 for sole leather manufactured. Indeed, one has to look to such commodities as automobile tires, 323, and crude petroleum, 202, to find branches of business that, compared with 1912, are doing as well or better than coal.

*The Textile World*, in its summing up of the first number of the *Survey*, notes that the figures on silk are the most up-to-date of any furnished for the textile industry, and adds this request:

It is to be hoped that the effort to assist business will be recognized in the textile industry and that cooperation to extend and make more valuable statistics of this trade will be cheerfully furnished.

Is there another side to this question of trade association cooperation? *The Iron Age's* Washington letter throws out this hint:

The Department of Commerce, through the initiative of Secretary Hoover, has begun the monthly compilation of commodity tables, giving an outline of business conditions in what is known as "A Survey of Current Business." It has been observed that there were only two trade associations that supplied data for the first number of this document, issued under date of July 1. The inference has been that associations generally have refrained from a more active participation in the work in the absence of assurance that they are committing no breach of the law.

### What's your biggest waste?

#### Some answers from industry

**ECONOMY**, being a watchword these dull times, problems of waste prevention are engaging the attention of the manufacturing world. Secretary Hoover's engineering committee on waste is engaged in a comprehen-



## Are your missionaries in these bazaars?

**C**ONSTANTINOPLE, Bombay, Calcutta—the very names arouse visions of rich commerce. But woe to the trade missionary who rushes in to sweep these markets sensationally! With many habits of life that were firmly fixed centuries before Columbus sailed from Spain, the people do not yield readily to the persuasions of strangers.

Find a manufacturer who has established a market for his goods in the Orient, and you will meet a *patient builder* whose vision sees beyond immediate profit. Importer or exporter, your success there hinges upon gaining the slowly conceded confidence of able merchants *who test before they trust*.

The National Shawmut Bank is represented in all the important centers by influential local banks with which this bank has affiliations. An important advantage enjoyed by Shawmut clients is our investigation and trade counsel service—especially valuable to those about to make an initial sales effort in any part of the Near East.



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**CONTINENTAL and COMMERCIAL**  
TRUST AND SAVINGS BANK  
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sive study and now comes *Chemical and Metallurgical Engineering* with a collection of expert opinions on what are the chief causes of waste in some twenty leading industries. Some opinions are worth reprinting. "Insider" writes of dye manufacture:

The principal cause of waste in the dye industry today is lack of knowledge of the business by those engaged in it!

Beginning with the financier, we find a startling lack of appreciation of the risks of the business to which he pledges his resources and the normal ways of minimizing them. Next, of red tape artists suppliant before a mysterious scientist we have had plenty, but the understanding organizer is still absent. Chemists of good training are ever present, but their dyestuffs experience is attested by the prevalent low yield figures. Lack of plant discipline is indicated by a watch at our plant sewers—it's an even chance that the operating man either lets the batch by, or finds it desirable to dump it. As for the dye-stuff engineer he is still a dream. Witness our hodge-podge plant equipment and the primary failure to utilize expensive manufacturing equipment and buildings for manufacture rather than for storage. Again, where is the counterpart of the time study of the metal industry?

Discussing rubber, Andrew H. King blames "waste in high places," the "unpardonable sin" being disregard of the opinions of economists and statisticians:

Not only was there no respect for statistics as to general business conditions but there were no authentic statistics relative to their own business. Years ago a writer estimated that the average car consumed five new tires per year. This figure misled many who should have known better from their own experience if from nothing else. The estimate above mentioned was made when all tires were "fabrics." Today they are nearly all "cords" and the mileage has been multiplied by at least two and in many cases three or more.

"Failure to conserve byproducts," says G. A. Mence, of Libby, McNeill and Libby, writing of food products and specifies:

The total aggregate waste resulting from failure to conserve and utilize most efficiently such valuable material as skim milk and buttermilk in the operation of creameries, whey in the operation of cheese factories, sound culls and other discarded material of like nature in the food-canning industry in general and in the fruit industry in particular would undoubtedly reach staggering proportions.

The textile industry as seen by "One who knows" suffers from "intermittent operations which make for an abnormal rush during certain seasons and equally abnormal idleness at others." There is also, says this unnamed writer, "a lack of planning ahead in the various operations of the mill."

John Arthur Wilson, Chief Chemist of A. F. Gallun & Sons Co., is sharp in his criticism of the tanners:

The most conspicuous cause of inefficiency in the leather business is ignorance of the basic principles of tanning. As many as fifty distinct operations may be employed in converting the raw material into finished leather, when perhaps less than half of the enormous amount of labor and materials involved would yield a better leather, if only the relation of each operation to the entire process were sufficiently understood.

L. M. Tolman, Chief Chemist of Wilson & Co., says of meat packing:

The most outstanding waste in this industry, if it may so be termed, is the material which goes into fertilizer. This material if it had been handled in the proper way might be made



into either food products or into certain technical products, such as gelatine and glue.

Byproducts are neglected in cane sugar production, says Dean Coates, of the Sugar School of Louisiana University:

Bagasse is ordinarily burned. As a fuel a ton is worth about one-fourth as much as a ton of coal. It would have a considerably higher value if made into building board or paper stock. Molasses can be fermented into industrial alcohol, and from this motor spirit can be made. Molasses may also be used as a cattle feed, and this is done to a large extent.

The crying need of the edible oil industry, according to John C. Ingram, of Morris & Co., is "the reduction of overhead charges by increasing the operating time of plants."

The ceramics manufacturers, in the opinion of R. H. Minton, of the General Ceramic's Company, must give heed to fuel wastes. It is possible to save from 25 to 60 per cent of fuel by more efficient kilns.

Heat wastes are also a problem of the salt industry, writes W. L. Badger, of the University of Michigan's experiment station. "Salt," he explains, "was so long a byproduct of the lumber industry and made with waste steam which cost nothing that the idea of applying engineering principles to its manufacture never occurred."

"Standardization of colors" and cheaper containers are two things which would save the paint industry much money, in the opinion of Robert S. Perry, of Perry & Webster. Of the latter point he says:

Increased knowledge in colloidal chemistry and physics, and in the characteristics of paint as a plastic solid, as contrasted with its former study solely from the standpoint of a viscous liquid, directs us to question the possibility of ultimately transporting it from factory to consumer in a wrapper instead of in the expensive package of today.

J. H. Chester, writing for the soap industry, thinks a pure soap law might be of advantage, and adds:

The salient waste in this business, however, is created through competition, where each producer, endeavoring to market his own particular product, has educated the public to desire transparent soap, perfumed soap, oatmeal, peroxide, witchhazel and other so-called medicinal soaps for the toilet. Embossed and lithographed art packages add to the expense.

The waste in the lumber industry is described by Earle H. Clapp, of the United States Forest Service, who says:

Not more than one board foot appears in finished lumber for every four cut in the woods. Two of the four are left in the woods or fed into the sawmill burner or are lost in seasoning before the stage of rough-seasoned lumber is reached. The third foot disappears during the manufacture of the finished product.

Even greater waste in manufacture is not uncommon. The hickory-handle maker buys two tons of lumber and sells 400 lb. of handles. In many furniture and chair plants unskilled labor plus unskilled supervision net only 70 or 50 or 35 per cent of the lumber received. Similar wastes characterize most all the other wood utilization industries.

These are only illustrations of how the waste problem is stirring up industry, but they serve to show the nature of the leaks which experts are now seeking to plug up.

#### Saving to Waste

SAVINGS on armaments in England, according to the *London Times*, are being spent for more bureaucracy. That is scarcely a way toward relief from the burden of taxation.

## The Bedrock of Business

Better business means not only more business—more stable profits—it means higher standards of doing business.

Business standards must be such that men can trust each other. This is as fundamental to better times as sound currency, credit or banking.

When one man engages another to perform a service or deliver a commodity, he enters into a contract. If business is to be sound, that contract must be sacred to both parties as far as personal responsibility can go.

Modern business is based—not on the legality but on the sanctity of contracts—on the common faith that a business man will do what he promises. Credit rating depends on something more than a satisfactory relation between assets and liabilities.

If contracts were to become of value only through legal action, they would not be practical instruments of business—for business cannot be conducted through the agency of courts of justice.

Insistence of sellers and buyers alike that contracts of purchase are made to stand by is prerequisite to economic stability.

Business faces a long, steady climb to conditions better than it has ever enjoyed. Progress toward those conditions will be satisfactory or unsatisfactory in proportion as men and nations earn the confidence of each other by faithful observance of the letter and spirit of their contracts.

The National Bank of Commerce in New York believes that the preservation of confidence through the encouragement of sound business practises is an important banking function.

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Capital, Surplus and Undivided Profits  
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# Are Stocks a Buy?

Is it time to get in on  
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### Memo For Your Secretary

Write Roger W. Babson, founder of the Babson Statistical Organization, Wellesley Hills, 82, Mass., as follows: Please send me Bulletin No. K-41 and booklet—"Getting the Most from Your Money"—gratis.



## Log of Organized Business

**A** DETAILED analysis of the recent referendum vote of the Chamber of Commerce of the United States on taxation shows that 94 per cent of all the votes cast were in favor of a sales tax to take the place of the present tax on transportation and communication. A study of the ballots discloses that the sales tax found its most ardent supporters in the national trade associations and in the chambers of commerce in large cities.

The total votes on the propositions submitted, which are now available, were as follows:

### SECTION ONE (Repeal of Taxes)

(1) Do you favor repeal of war excise taxes levied in relation to particular businesses (except transportation and communication)? Yes, 1,247; No, 506.

(2) Do you favor repeal of war excise taxes on transportation and communication? Yes, 1,470; No, 290.

### SECTION TWO (Substitute Taxes)

(1) Repeal of excess profits taxes on corporations, already advocated by the Chamber involves an estimated decrease of Government revenue approximating \$450,000,000. If you favor this repeal alone, do you favor replacing this revenue by

(a) Use of increased income tax on corporations? 56

or

(b) Use of sales tax? 116

(2) If you have voted in favor of repeal of war excise taxes levied in relation to particular businesses, do you favor replacing the revenues of \$850,000,000 (excess profits estimated, \$450,000,000; war excise, \$400,000,000) by

(a) Use of sales tax in addition to increased income tax on corporations? 34

or

(b) Use of a sales tax to bring in the whole amount? 977

(3) If you have voted in favor of repeal of war excise taxes on transportation and communication, do you favor replacing the revenues of \$800,000,000 excess profits estimated, \$450,000,000; transportation and communication tax, \$350,000,000) by

(a) Use of sales tax in addition to increased income tax on corporations? 88

or

(b) Use of a sales tax to bring in the whole amount? 1,114

(4) If you have voted in favor of repeal of war excise taxes levied in relation to particular businesses, and also in favor of repeal of war excise taxes on transportation and communication, do you favor replacing the revenues of \$1,200,000,000 (excess profits estimated, \$450,000,000; war excise on businesses, \$400,000,000; war excise on transportation and communication, \$350,000,000) by

(a) Use of sales tax in addition to increased income tax on corporations? 49

or

(b) Use of a sales tax to bring in the whole amount? 1,060

### SECTION THREE (Forms of Sales Taxes)

(1) If you have voted for use of a sales tax do you favor

(a) Use of a tax on retail sales of merchandise only? 373

or

(b) Use of a sales tax on turnovers to bring in the whole amount? 1,175

(2) If you have voted for use of a turnover tax, do you favor using a turnover tax

(a) On goods, wares, and merchandise? 356

or

(b) On all turnovers? 826

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every nature**

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**Capital,  
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\$37,500,000**



### Against Clearing House Figures

THE St. Louis Chamber of Commerce is advocating discontinuance of the publication of daily Clearing House totals in the newspapers on the ground that they are not true barometers of the daily volume of business. The St. Louis Clearing House Association is cooperating with the move, and is taking a nation-wide poll of the Clearing House associations to see whether they will not consider the change.

The proposal is that cities publish the "Total Debits Against Individual Accounts," in place of clearing house totals. The argument is advanced that this is the only correct way to show business transactions.

### To Cut Fire Losses

CHAMBERS of Commerce throughout the country have been asked to take the lead in their communities in observance of National Fire Prevention Day on October 9. The day falls on the fiftieth anniversary of the Chicago fire. The National Fire Protection Association is promoting observance of the day.

The purpose of Fire Prevention Day is to awaken public consciousness to the fact that the country's annual half billion dollar fire loss is everyone's loss and that most fires are preventable through the exercise of ordinary carefulness.

### Semi-official Chambers of Commerce

A NOVEL feature of the collection of the "centennial tax" in Mexico is the part played by chambers of commerce in its collection. The taxpayer pays from 1 to 4 per cent on the profits of one average month of this year. If the profit is under 300 pesos he pays 1 per cent—3 pesos. If the profit is 1,000 pesos or more he pays the highest rate—4 per cent. The schedule of rates is shown on the blanks furnished by the government to the taxpayer.

In order to avoid the great amount of bookkeeping necessary to get at the profit of an average month of this year, in cases where the merchant has no monthly balances for this year the government suggests that the year's profit of 1920 shall be taken; divided by twelve, and the tax figured on that result. For example, if the books of the taxpayer show that he made last year a net profit of 24,000 pesos, that would be 2,000 pesos profit for one month, and the tax on that at 4 per cent would be 80 pesos.

The government does not propose to scrutinize the returns or question them, but it makes each chamber of commerce to which the taxpayer belongs the judge of the fairness of the return, and each Chamber of Commerce of Mexico will be asked to appoint a committee for this purpose.

### American Standards Abroad

THE RECENT issue by the Bureau of Foreign and Domestic Commerce of French translations of the Standard Specifications of the American Society for Testing Materials, represents an important step forward in the protection of America's industrial and commercial position in foreign countries.

In 1919 the Bureau published Spanish editions of the same specifications and distributed them throughout the world. The importance of this work is better appreciated when it is understood that the British Engineering Standards Association, with the aid of the British Government, has been carrying on similar work on behalf of British manufacturers in French, Spanish, Italian, and Portuguese speaking countries.

The new French translations by the bureau

## YOU CAN'T FOOL THE MACHINE

In the testing of Dunlop Golf Balls, use is made of an ingenious driving machine. There is no fooling this mechanical golfer. It hits every ball alike, and any difference in results is immediately charged to the ball.

If you could hit with the precision of a machine you would quickly be able to determine which ball gives you best results. Because of the likelihood of variation in your stance or swing, however, you can't hold the ball to strict accounting. You must always blame yourself.

Dunlop Balls are always dependable. The machine test is but one of the safeguards thrown around their manufacture to insure *uniformity* of carrying quality, accuracy and durability.

Dunlop offers you a selection from five different balls. The *Dunlop 162*, the new leader of the Dunlop line, is a ball of minimum size and maximum weight. It leaped into prominence among the "pro's" when it won the Daily Mail's big tournament in England this spring, and since then it has become a favorite of the good golfer, both here and abroad.

The Dunlop line offers you the choice of four excellent balls:—

The new 162 (small size).....	\$1.10
The <i>Magnum</i> (large size).....	1.10
The <i>Durable</i> (medium size).....	1.10
The 29 (small size).....	1.00

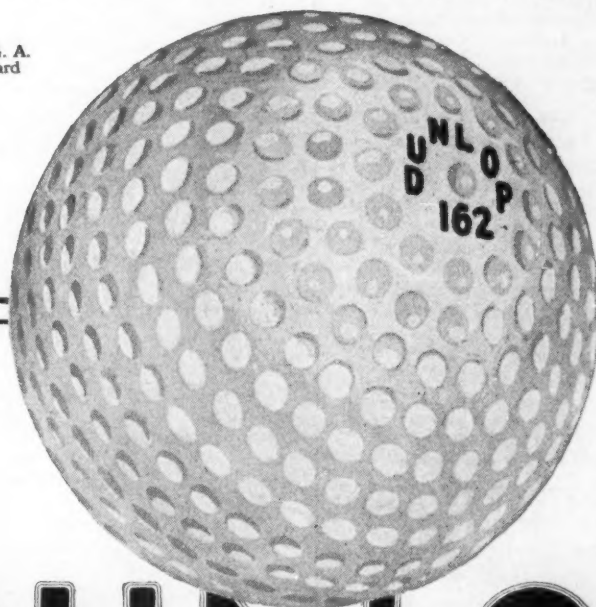
These balls are all Standard. They conform to U. S. G. A. specifications as to size and weight.

If you don't find Dunlop Balls, in stock, please write us.

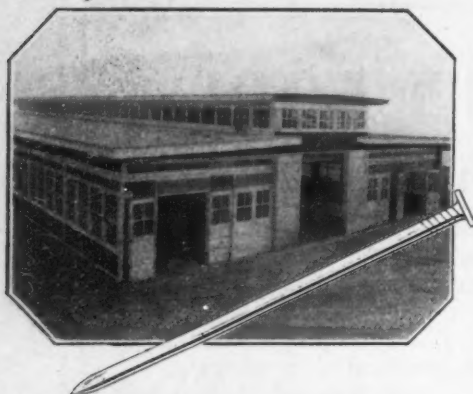
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Standard frame constructed buildings are but little more than fire-wood value should it become necessary to move your manufacturing or operating location. Such buildings are a "dead" investment. "Circle-A" Interchangeable Building Units solve the building problem of the fast growing and ever expanding American industries. "Circle-A" Buildings are a liquid investment capable of expanding with your business to meet its housing requirements. "Circle-A" Interchangeable Building Units will erect any type of building your business may require, more staunch and substantial than it is possible by standard frame construction and without the use of a single nail.

"Circle-A" Units being factory built complete, both inside and out, are erected into buildings by the bolting of the units together. They are the only building units that can be dismantled more easily than they are erected and without loss. Prominent executives in practically every line of industry who have sent for our booklet "Unit Buildings" have been convinced of the wisdom and economy of investing in completed buildings versus unsalvageable materials. May we send it to you?

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The Foreign Commerce Department of the National Chamber is distributing copies

### As the Secretary Sees It.

By WILLIS B. POWELL

**T**HE wise commercial secretary knows that the best picking is where he does the most scratching.

Seldom have I found an athletic man strong enough to serve on a standing committee.

Even a dog catcher will take pointers.

Just as soon as a man gets famous a lot of fellows bob up who used to smoke maple-leaf cigars with him.

The reason women's clubs are more active than those of the men is that talk never delays anything else a woman is doing.

A mollicoddle is the man who invariably goes to the movies the night the commercial club meets.

I would rather meet a grumbler than one who always agreed with everything I said.

Paul was the original town booster for he said "I come from no mean city."

You have not failed in life until you are dead.

My best friend is the one who knows all about me and is still my friend.

A busy man seldom goes wrong.

The man who gives in when he is wrong is a wise man; but he who gives in when he is right is married.

No chain is stronger than its weakest link, but a town can be as strong as its strongest citizen.

A city is more than an accidental group of buildings.

of these translations to interested American chambers of commerce abroad.

A wider appreciation abroad of American standards will contribute materially to the success of American exporters whose contracts frequently hinge upon the technical specifications laid down by foreign governments and foreign private interests.

### Something New Under the Sun

**A**NY new wrinkle in the financing of civic celebrations is sure to be eagerly read by officials and members of commerce bodies. A novel scheme will be used to finance the "Days of '49," to be held in Sacramento, Calif., May 23 to 28, 1922. The idea is thus described by A. S. Dudley, secretary-manager of the Sacramento Chamber of Commerce:

The business men of Sacramento are underwriting the expense to the extent of \$100,000. Banks are loaning money on this underwriting. "Coupon Script" will be exchanged dollar for dollar for U. S. Currency during the week of the celebration.

This coupon script will be the only thing recognized by the merchants and hotels for cash business. It will be the method of exchange for admission to all events. Only merchants can cash the script with our banking department. Individuals must use the script in purchase of materials, and they will be permitted an additional week after the celebration closes to use this coupon money with local merchants.



## BUREAU OF CANADIAN INFORMATION

The Canadian Pacific Railway, through its Bureau of Canadian Information, will furnish you with the latest reliable information on every phase of industrial and agricultural development in Canada. In the Complete Reference Libraries maintained at Chicago, New York and Montreal, is complete data on natural resources, climate, labor, transportation, business openings, etc., in Canada. Additional data is constantly being added.

No charge or obligation attaches to this service. Business organizations are invited to make use of it.

## DEPARTMENT OF COLONIZATION AND DEVELOPMENT

Chicago  
165 E. Ontario St.

Montreal, P. Q.  
335 Windsor Station

New York  
1270 Broadway



When the merchants present the coupon script to us we will cash it at ninety cents on the dollar, retaining 10 per cent to pay the banks' loan. Normal cash business in Sacramento is approximately \$1,000,000 a week, so with the increased business that will come from the national advertising over a period of nine months, we are playing safe on such a basis.

Originality is apparent in the preparation of the program as well as the financing. An old mining town will be reproduced. Sutter Fort will be opened up and operated as in the days of gold and Indians. Every citizen of Sacramento is expected to dress as if he or she were living in the early fifties. A Rodeo will be held on each of the six days. Street cars will be eliminated from a certain district downtown, which will be given over to stage coaches, ox teams, barrows, etc. The celebration was initiated by the local Chamber of Commerce.

### Selling War's Remnants

**WAR MATERIALS** on hand at the time of the Armistice have been an asset of governments to be liquidated. This operation has now proceeded to a point where the results run into large figures.

To the end of June, England had made sales of 88 per cent of its war materials, realizing £582,000,000, at par of exchange, \$2,670,000,000. The depression in the market for such materials as copper can be understood when it is noticed that England had stocks of nonferrous metals which it sold for something like \$200,000,000. Textiles, leather, and equipment realized \$150,000,000. Food supplies brought in only \$35,000,000.

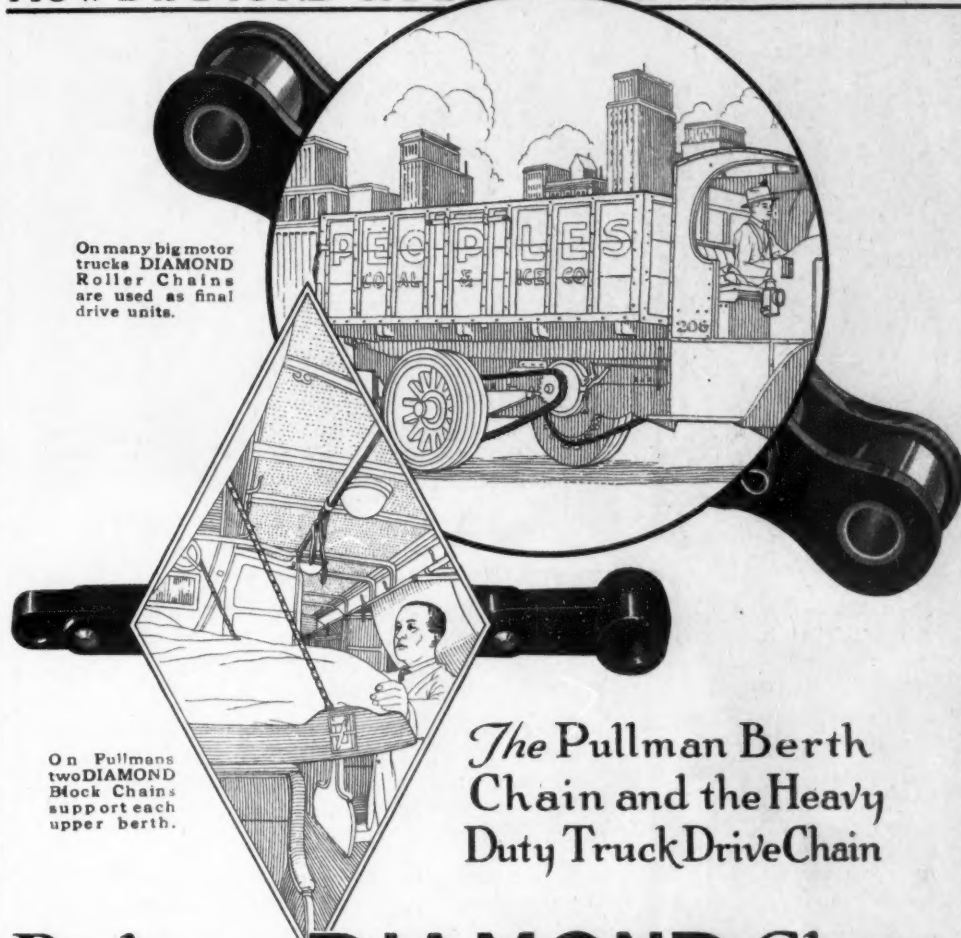
The realization of our Government from assets left at the end of the war now runs to a handsome sum. Statements of sales by the War Department alone are at hand. As of the first of September they showed a total of \$1,456,000,000. To this is to be added apparently, \$822,923,000 reported to have been sold from the Army stocks abroad to foreign governments. When the notes given by foreign governments for their purchases have been paid the total realization will consequently exceed \$2,250,000,000. In fact, it will be larger, for the Army now has already for sale materials that cost \$145,000,000 and it is sure later to find in its possession other goods it does not need and on which something can be realized.

### New Dollar Diplomacy

**WILLIAM MILLER COLLIER**, newly appointed ambassador to Chile, discussed the new relation of business to diplomacy just before he left to assume his new post. He had no defense to make of "dollar diplomacy" in certain phases, but what he told the Chile-American Association in New York throws a new light on the "common mission" of the business man and the ambassador:

We are not sordid, nor neglectful of the higher things of life, nor inappreciative of the sublimity of national dignity, when we recognize, as all thinking men do, that more and more business and diplomacy approach each other; that with increasing interdependence of nations, the crying need of raw materials by some and of manufactured articles by others, and the reciprocal necessity by all of markets for their respective surplus products, and with very keen competition everywhere, business more and more has to resort to diplomacy for advice and aid, and diplomacy has to avail itself more and more frequently of the help

## HOW DIAMOND CHAINS SERVE THE NATIONS



On many big motor trucks **DIAMOND** Roller Chains are used as final drive units.

On Pullmans two **DIAMOND** Block Chains support each upper berth.

*The Pullman Berth Chain and the Heavy Duty Truck Drive Chain*

## Both are **DIAMOND** Chains

The Pullman sleeper that carries you swiftly and safely across the country and the big motor truck that handles your heaviest hauling—both are equipped with dependable **DIAMOND** Chains.

These are only two of the numerous ways **DIAMOND** Chains serve people and industries of many nations. Today **DIAMOND** Chains are used on

- the majority of the world's bicycles
- motorcycles in practically every country
- thousands of farm machines, from tractors to churns
- motor-to-line-shaft drives in scores of factories
- machinery built by well-known manufacturers like Allis-Chalmers, Ingersoll-Rand and Westinghouse
- a wide range of machinery used by factories, mills, mines, railroads, etc.

Over three million feet of **DIAMOND** Chains were shipped to forty two foreign countries in the past twelve months.

On your product and in your plant there are probably several ways **DIAMOND** Chains can save you power and money. No matter what your problem, our engineering staff will be glad to show how a good chain may serve you better and cost less.

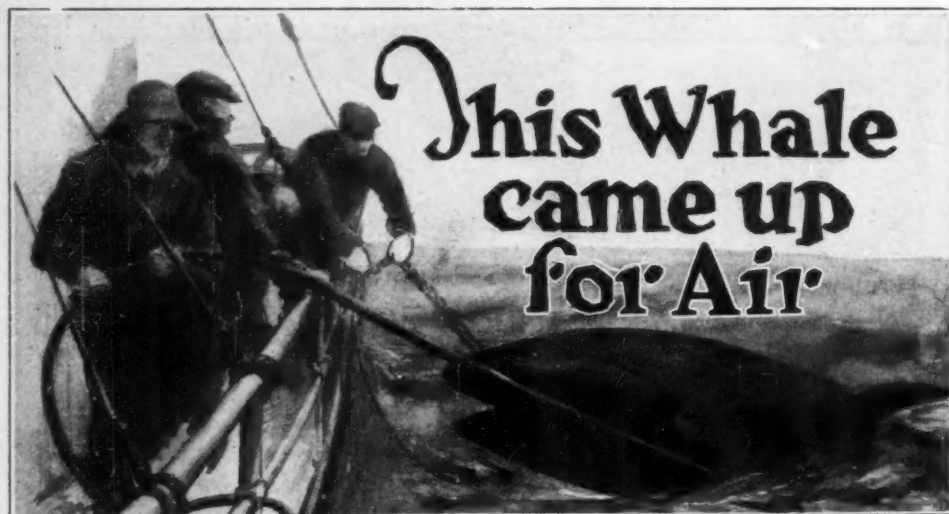
**DIAMOND CHAIN & MFG. CO.** Indianapolis, U. S. A.  
Makers of High Grade Chains Since 1890.

# DIAMOND

QUALITY  CHAINS

### Dictate This Letter Now

Diamond Chain & Mfg. Co.  
Indianapolis  
Suggest possible uses of Diamond Chains for my product or plant.  
I make (product).  
I operate factory with (give number & type) machines.



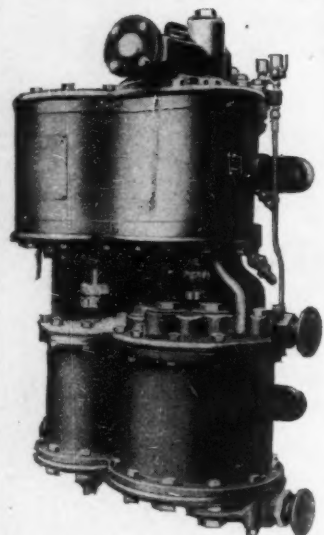
## This Whale came up for Air

—AND GOT IT!

**B**UT he was first harpooned, then the air was pumped into him from a Westinghouse 10½-inch Cross Compound Steam-Driven Compressor, the object being to keep the big body afloat until it could be towed ashore.

Since the inauguration of this practice, a dozen years ago, Westinghouse Compressors (locomotive type) have been used extensively by whale hunters on account of their extreme ruggedness and dependability.

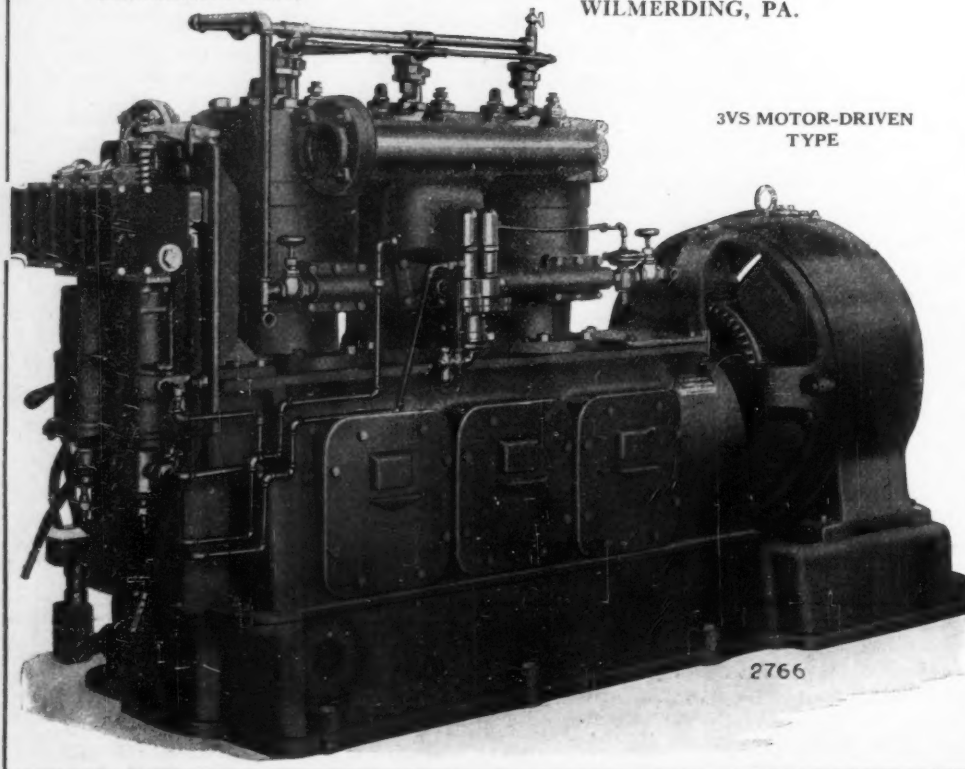
This is only one example of the adaptability of Westinghouse Compressors, which include a complete line of steam and motor-driven types in all capacities up to 550 cubic feet. They represent fifty years of Westinghouse development and may be found today performing useful service in every branch of industry.



10½-INCH CROSS COMPOUND  
STEAM DRIVEN COMPRESSOR  
(LOCOMOTIVE TYPE)

## Westinghouse Air Brake Co.

WILMERDING, PA.



3VS MOTOR-DRIVEN  
TYPE

of men with knowledge of the purposes and methods of great organized industry.

"Dollar diplomacy" was, a short time ago, a term of opprobrium. I am not here to justify all that has been attempted by the various nations of the world that may have been styled dollar diplomacy; but I have no hesitancy in saying that business and diplomacy have, in some respects, a common mission; that the unofficial representatives of the trade, of a people, the men engaged in business in foreign countries, can advance or injure the interests of the nation to which they belong, can represent or misrepresent their people, just as the ambassador can, although not in the same degree. The conduct and attitude of the business men of the United States in Chile can complete and perfect the work of the Ambassador, or can mar and undo it.

About the same time Mr. Collier was saying this, Secretary Hughes received nineteen new appointees as consuls, and talked with them about their duties and responsibilities. As Mr. Collier indicated, what is true of consuls is true also of trade representatives. Mr. Hughes said:

Your representation is not simply in a technical and official sense, but the way in which you conduct your business will in a very large number of cases tend to create the sort of feeling that is entertained toward the people of the United States. We don't want representatives who are flamboyant, bombastic, boastful, unreasonable, severe, autocratic—who are disposed to make a great deal of their authority at the expense of those who are making polite inquiries; who are disposed to be nervous and petulant in the presence of a great many competing demands. The man who succeeds in this world in any position where there are a great many burdens and demands is the man who can keep quiet and placid when there is very severe pressure, who can keep his head and intelligence, at the same time giving the impression of a man adequate to the exigency. If you can give that impression you will do a great deal for your country besides merely reporting what you observe. I do not want to enlarge on these matters—intelligence and tact. Of course, that perception, that nice perception of a situation without which you can't give an accurate account of it; that ability to get on with people without creating unnecessary troubles,—all that is of the greatest importance in your career.

### How Business Is Improving

(Continued from page 30)

slightly under 70 per cent of normal, shipments being slightly over 75 per cent of normal. In other words, shipments were 105 per cent of production and orders were 110 per cent.

In coal, the anthracite industry will probably produce as much as last year, and last year was a good year. At the moment, however, production of anthracite is down somewhat. The bituminous mines are in more or less of a slump.

Conditions in the great business of transporting materials and products have an important influence in various directions. Statistics here reflect the same situation as the data about retail trade, i.e., a bigger movement recently of general merchandise than in the corresponding weeks of last year. Toward the end of August total traffic was picking up. Car loadings were well above 800,000 a week, and the number of idle cars was decreasing. The railroad transportation business, therefore, is producing service at a fairly good rate, with prospects of improvement. The amount of product is not the only feature of general interest in this industry; for the results to the industry itself that accrue



from operation have assumed public importance. In this respect, too, the railroads are making progress, with some promise of even better things in the future.

Agriculture and the railroads have been in pretty much the same case, so far as buying power was concerned, and they are apparently having much the same course in their recovery. It is to be recalled that American farmers pay out cash wages of more than a billion dollars a year and spend another billion for such things as feed. Judged merely by such items, farming is a large industry. There are other items, too; laying aside the value of farms, most recently put at \$67,000,000,000, one can turn to the equipment in implements, and other facilities. One half the farms in eight States have automobiles, and Iowa has something like 86 per cent of her farms equipped with telephones. When farms are equipped like American farms, six and a half million of them provide a great market, even when farmers can purchase only the barest necessities.

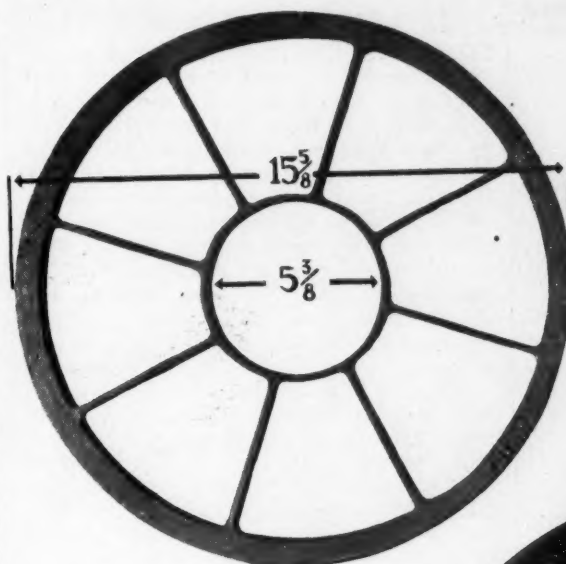
The farmer's position is generally improved. This year the crops are good, taken by and large. The record will not be smashed, but the agricultural outturn will be pretty satisfactory. On the whole, these crops will have been produced cheaply or at moderate cost, as compared with the high costs of recent years. The prices realized will be more than was expected in the early summer. That is true with respect to crops in addition to cotton. It may even prove true of live stock, although with regard to live stock the immediate future is not yet clear.

The banking situation throughout the country is generally a source of real strength. Credit conditions have greatly improved and there is every evidence that we are in a pretty sound position. All of the frozen credits have not been removed, but they no longer count as a great factor in the general situation. The banks are in a position to do their part in giving banking service to an expanding commercial and industrial activity.

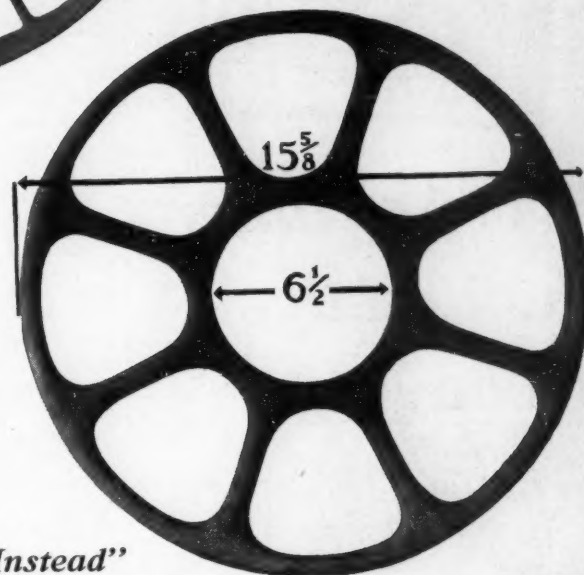
By way of summing up, it would seem that the country has been like a person sick with fever and chills. Until the chills came in the middle of last year we had a high degree of fever. Before that, in the first half of 1919, we had some decided chills. It is not necessary to pursue our course further back through the war years and to the chills of August, 1914, and the following months. There are many evidences that we are recovering our good health and are now in the process of forging ahead in a sober and methodical fashion.

This is written from the standpoint of the observer who takes things in the large. The heads of many individual business concerns, with their eyes fixed on their own affairs, would undoubtedly say that these general statements are wrong. There are questions about wages, controversies over railroad rates, and other such factors as have a habit of looming up pretty big when one confronts them. It has been the purpose here to ascertain generally the volume of business, and its tendency for the future, quite regardless of obstacles but for which it would be different. Neither has any attempt been made to figure profits, or their lack. There is a definite impression that there is a larger volume of business than one would have looked for in view of the various stories one has heard and the mental attitude these stories have given him. There is also the impression that volume of business is increasing, and that there are many conditions of a very fundamental character which give promise that this volume will continue to increase.

These illustrations are from unretouched photographs showing a cast iron grate for oil tanks and the pressed steel grate which takes its place.



Cast Grate  
Weight 6 lbs.



Pressed Steel  
Grate  
Weight 2 1/2 lbs.

*"Press It From Steel Instead"*

## A Simple Redevelopment and Yet It Saved Money

HERE is an example of a comparatively simple redevelopment from cast iron to pressed steel. The weight of the pressed steel oil tank grate is less than half the weight of the cast iron grate which it replaces. At the same time none of the advantages of strength and design are lost.

We were able to produce this piece at a lower cost than that of the cast grate. Besides this, the reduced weight cut the freight charges materially and the cost of handling at the manufacturer's plant was much less. Thus "pressing it from steel instead" saved money all 'round.

What has been done in this simple redevelopment is being done also with the most compli-

cated cast parts. Many manufacturers have found that aluminum, cast steel and cast iron parts can be "pressed from steel instead" at a saving of from 30 to 50 per cent in weight and cost.

### Perhaps We Can Do As Much For You

Look over both the simple and the complicated cast parts you are using now. Send us samples or blueprints of these. We will be glad to give you detailed information about the probable saving through pressing them from steel. Such inquiry will put you under no obligation whatever. Address the Engineering Department.

#### YOUNGSTOWN PRODUCTS FOR MANUFACTURER & BUILDER

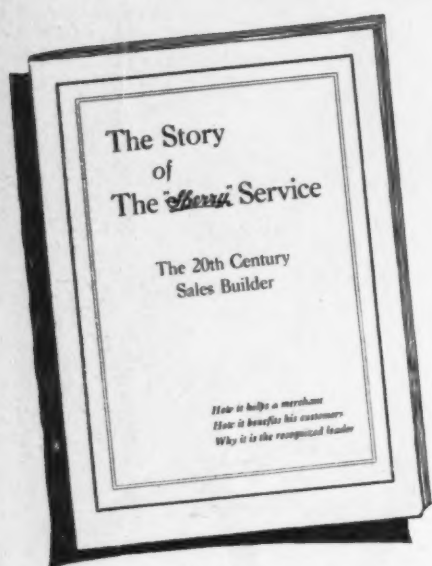
AGRICULTURAL	AUTOMOTIVE	GENERAL	FIREPROOFING
TOOL & WEIGHT BOXES - SEATS LEVER LATCHES - FURROW & GONG WHEELS HARROW TOOTH CLAMPS - CULTIVATOR SHEETS LAND ROLLER HEADS	RADIATOR SHELLS - CRANK CASES HOUSING COVERS - BRAKE DRUMS CLUTCH DISCS - STEP HANGERS HUB FLANGES	LIFT TRUCK PLATFORMS - TANK HEADS INDUSTRIAL CAR WHEELS - WHEEL DISCS HATCH CLEATS - BARREL HEADS COMPOUND BOXES	MACHINE GUARD & FACTORY PARTITION MATERIAL COLD PRESSED CHANNELS & ANGLES - BOTH HEAVY & LIGHT YOUNGSTOWN'S PATENT CYLINDER HEAD FITTING MAHONING LATH & IDEAL METAL LATH

THE YOUNGSTOWN PRESSED STEEL COMPANY  
WARREN OHIO



All our factories are now consolidated in one big, new plant at Warren, O.

**Youngstown**  
PRODUCTS



**Every retailer  
should have  
a copy of  
this book**

There is nothing in it about relativity, the fourth dimension, disarmament or the Irish problem.

BUT

It contains fifteen pages of common sense on how to build and hold cash business on a sound, practical and logical basis.

Send for your copy—NOW.  
No obligation.

**THE SPERRY & HUTCHINSON CO.**

114 Fifth Avenue

New York

### Looking Down a Price Slope

**TO THE EDITOR** of THE NATION'S BUSINESS: Leonard P. Ayres, Vice-President of the Cleveland Trust Company, recently contributed a most interesting article to THE NATION'S BUSINESS. He stated that the recent great rise in prices is the third that this country has experienced in its history. All three have come in times of great wars. The first took place during the War of 1812, which was in reality this country's participation in the Napoleonic Wars. The second came during the Civil War, and the third, or most recent, during the World War.

One significant fact is that each of the two previous great price increases has been followed by a thirty-year period of irregularly falling prices, and a twenty-year period of regularly rising prices. At the present time prices are rapidly falling and it is most important for business men to consider *whether or not it is probable that this is the beginning of a long term of falling prices, and if so what this means for business.*

Conduct of business in a time of falling prices presents radically different problems from those to which we have become accustomed during the past quarter of a century of rising prices and shrinking dollars.

Mr. Ayres points out that the majority of men actively engaged in the management of businesses have obtained their training and experience during a period of rising prices. And it will be necessary for them to readjust their point of view to present tendencies.

When a manufacturer buys raw materials, if there is any unnecessary delay in the production of the finished product and the distribution to the ultimate consumer, the value of material will shrink so that when it is finally sold the profit will be smaller than was anticipated, or a loss may be involved.

Hence, an assured market for the goods is highly desirable, if not necessary. The manufacturer of an unbranded piece of merchandise will be more and more hesitant about making up goods without definite, non-cancellable advance orders. The manufacturer of a trade-marked product with an assured market will run less risk of producing goods for anticipated future demand. But in both cases it is highly desirable that the period be shortened covering the time when the manufacturer makes a commitment to buy raw materials, and the delivering of that unfinished product into the hands of the ultimate consumers.

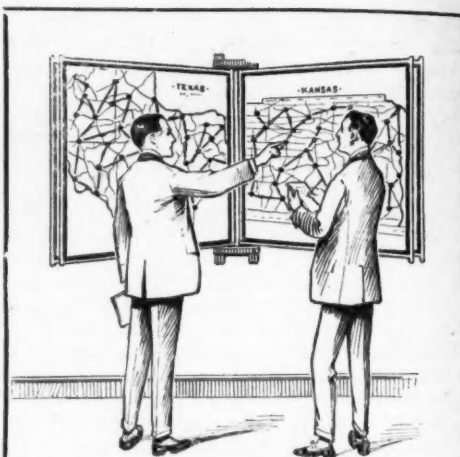
It seems to us that if there ever was a time when advertising should be economically applied to business to insure a market for a product, it is in the era we have now entered of falling prices.

Mr. Ayres goes on to say to the wholesale grocers that when prices are changing wholesale prices move first, and most, retail prices next, wages next, and rent last and least. In the long period of falling prices following the Civil War, wages declined far less than did prices. In that same period the productivity of labor greatly increased as the mechanical means of production improved. The future course of wages depends largely on the degree to which the per capita output can be increased through improvements in management, prices, and machinery.

Assuming that Mr. Ayres' point of view is logical, advertisements, instructions to salesmen, business literature should be adjusted to this era on which business is entering.

Yours very truly,

(Signed) ERNEST I. MITCHELL.



### Getting the Proper Perspective of Business

conditions comes easy to that executive who has the faculty of being able to visualize present and future possibilities and govern his actions accordingly. The experience of the past is the only sure instruction for the future.

Realization of this essential feature of all business organization has caused the high development of statistical information, charts, and graphs. The busy executive is making constant use of this knowledge in connection with Sales Maps of all kinds to effectively dig into prospective markets and open up new fields for expansion.

A necessary adjunct to the complete accessibility of essential facts is the Universal Displayor. With large wings, turning like the pages of a big book, Universal Displayors enable the busy executive to keep vital information close at hand for immediate reference. Universal Displayors can be had in many sizes and styles, suitable for any needs, standing independently on the floor or fastened to the wall.

*Circular 33-C gives further details. Why not instruct your secretary to send for it today?*

**UNIVERSAL FIXTURE CORP.**

133 West 23d St.

New York

### Dealer Helps

Not only do we manufacture Universal Displayors for office use, but we design, create and manufacture Dealer Helps and display devices for the display and sale of merchandise of all kinds. Tell us your display problems and we'll solve them for you.



## Acceptance Paper

Recent Business  
Books Discussed

**W**HEN DON QUIXOTE gave an order on his sister for two ass colts to Sancho Panza, the squire received what was in effect a bill of exchange, although such bills as commercial instruments were far in the future. The elements of time and distance were involved, and Cervantes may be said actually to have foreshadowed a development of finance which was to prove of exceptional value and convenience.

It is probable that as business recovers from its present malady the use of acceptances, sometimes known as bills of exchange, will come more and more into use among American business houses. Between the Civil War and the World War this form of credit instrument was little known in the United States; but that is no reason, as Park Mathewson points out in "Acceptances: Trade and Bankers" (D. Appleton and Company, New York), why it should be regarded as an interloper. The Southern planters of cotton and tobacco, as well as other business men here, continued the use of the acceptance, in its domestic or intrastate form, practically up to the early "sixties"; and Mr. Mathewson quotes from a speech Daniel Webster delivered in 1834, in the United States Senate, in which he said:

Consistently with security, and indeed founded upon it, credit becomes the great agent of exchange. It increases consumption by anticipating products, and supplies present wants out of future means. As it circulates commodities without the actual use of gold and silver, it not only saves much by doing away with the constant transportation of the precious metal from place to place, but also accomplishes exchanges with a degree of dispatch and punctuality not otherwise to be attained.

All bills of exchange, all notes running upon time, as well as the paper circulation of the banks, belong to the system of commercial credit. They are parts of one great whole. We should protect this system with increasing watchfulness, taking care, on the one hand, to give it full and fair play, and, on the other, to guard it against dangerous excess.

Abroad the acceptance is in a highly developed state of usefulness. In Great Britain, and to a less extent in Germany, the bankers' acceptance, or bill accepted by a bank, is the most desired form of closing credit, and in France commercial paper, with gold and silver, forms the basis for the issue of bank notes. All the other Continental countries and such nations as Japan and the South American republics follow much the same practice. The United States is the only great commercial country which has not made wide use of this instrument. Prior to the outbreak of the World War, practically all the financing of American foreign trade was transacted through London banks, which, of course, exacted their toll for the service. With the outbreak of war the London market was obliged to restrict its operations, and American financiers seized the opportunity to free themselves from their dependent position. The acceptance had been made possible for the accommodation of our merchants transacting both foreign and domestic trade through the rulings of the Federal Reserve Board under the new banking law, and its use became more and more common.

A trade acceptance may be defined as an order of the seller of goods on the buyer to pay for them at a certain time, which is accepted by the buyer by signing his name.



S. W. Straus & Co. Building, New York City  
Warren & Wetmore, Architects

### Build with INDIANA LIMESTONE

Each year adds new and important structures to the list of fine buildings that is rapidly making New York the rival if not the peer of any European city. And Indiana Limestone is contributing largely to that result by being constantly chosen for the exterior of both monumental structures and moderate cost commercial buildings. The new Straus Building, illustrated, is built of the Variegated Indiana Limestone and is one of the most recent additions to the already imposing list.

The new Cunard Building, the Seaboard Bank, all of the four Fifth Avenue Association prize buildings and many other beautiful structures were built of this material because of its known structural merit and ultimate economy.

Interesting Booklet on Indiana  
Limestone will be sent you on request.



Indiana Limestone Quarrymen's Association

Box 775 Bedford, Indiana

## What Is —YOUR— Life Worth?

Not alone to you—but to your wife and loved ones—to your business and your associates? Priceless! And yet are you giving it the attention you give your business or even your car—inanimate things, that should you lose them, time and money could replace?

To the preservation and operation of your business you give your best care and talent, calling in expert assistance when needed. Your car gets ample time and attention and frequently goes to mechanical experts for inspection. "Necessary," you say, "if my business is to give me the best returns or my car afford me the greatest possible pleasure and service."

Quite true! But why not apply the same common-sense plan to your greatest asset of all—your health—the gauge of life itself?

### Knowledge Safeguards You

Seven men out of every ten die of conditions that might have been avoided had they been known in time. What assurance have YOU that you may not be one of them at any time? To know your physical condition is to be prepared.

### The Test That Never Fails

Your kidneys tell an interesting story of your bodily condition because the blood of the entire body must pass through them every seven minutes. Our plan keeps before you at all times this story that the kidneys tell and enables you to take the necessary steps to preserve vitality and health.

*Yet, to be free of worry and uncertainty regarding your physical condition takes but four minutes of your time a year.*

### Leading Men and Business Organizations Use This Service

Because the man who is a real doer and leader must be physically fit to meet the big demands made upon him, this plan that we want to tell you about, has been used by the following firms, officials or employees, as well as thousands of others, for many years:

Armour & Co.  
Ford Motor Co.  
Liggett & Myers Tob. Co.  
Standard Oil Co.

F. W. Woolworth & Co.  
Sears, Roebuck & Co.  
Willis-Overland Co.  
Wm. Wrigley, Jr. Co.

### Get Our Free Booklet

"Why People Die Too Young" is an interesting little booklet full of vitally important facts that you should know. It tells you how for less than 5 cents a day you can keep your physical and mental machinery in the best possible working condition and possibly add many years to your life. Send for this booklet today. It places you under no obligation.



### National Bureau of Analysis

Dept. N. B. 10

Republic Bldg., Chicago



Frank G. Soule  
Pres. & Founder

You may send me without obligation, your free booklet, "Why People Die Too Young," together with your four minutes a year plan for better health and longer life.

Name.....  
Street No.....

City..... State.....

across the face of the order. In the case of a banker's acceptance the credit of the institution is put behind the buyer, and there is thus provided for short-term transactions an assured credit to carry goods, in process of production, movement and marketing. The acceptance is based upon a specific transaction, and the completion of that transaction should liquidate the bill.

The acceptance is thus a definite acknowledgment on the part of the buyer of the amount he owes and an agreement to pay it at a specified date. It eliminates many of the evils of the open account, and provides for the holder a basis of fresh credit. Its influence is to reduce losses, facilitate collections and enable the seller to do more and better business on the same capital, with obvious advantages to the buyer in lowering the cost of distribution and eliminating the economic waste of bad debts.

Although the acceptance is as useful for domestic as for foreign trade, its value seems to have been realized in the United States more acutely by those doing business abroad. Mr. Mathewson cites the imaginary case of John Jones and Company, Inc., which sells two automobiles in India, and sets down the acceptance covering the exports with explanatory details, as follows:

Bill of Exchange for \$3,749.60.

New York, January 25, 19....

Ninety days after sight of this First of Exchange (Second unpaid) pay to the order of International Banking Corporation. . . . Three Thousand Seven Hundred Forty-nine 60/100 Dollars United States Currency Value received and charge to account of letter of Credit I. B. C. 16/8721. Two automobiles S/S Kandahar to India.

(Signed) John Jones & Co., Inc.,  
John Jones, President.

To the National City Bank of New York  
New York City

Across the face of the draft is stamped:

Accepted

January 25, 19....

The National City Bank of New York  
New York

and it is signed by one of the vice-presidents or the cashier of the bank. The draft is indorsed on the back by the International Banking Corporation. Mr. Mathewson continues:

In this case some one in India wanted to purchase two automobiles from Jones, who was unwilling to ship them without first receiving his money. The Indian went to his local bank, in this case probably the International Banking Corporation, and arranged with it to open a credit with the National City Bank against which Jones could draw at 90 days' sight. This being arranged, The National City Bank advises Jones that the credit has been established and he shipped his automobiles. Since the draft is made payable to the International Banking Corporation, Jones drew his draft as above and to it attached the bill of lading and other shipping documents and sent them all to the International Banking Corporation. The International Banking Corporation in turn presented all documents to the National City Bank, where, everything being in order, the draft was accepted and returned to the International Banking Corporation, the documents being detached and forwarded to the Indian bank arranging the credit. The International Banking Corporation discounted the draft for Jones, who thereby received the cash for his automobiles. The International Banking Corporation sold the bill to the National City Bank, thus getting their money back, and the National City Company sold it to an institution looking for a high-grade short-term investment.

In the meantime, the automobiles are presumably on their way to India, where they will probably arrive before the 90 days have elapsed.

Shortly before the 90 days are up the Indian

## Completeness

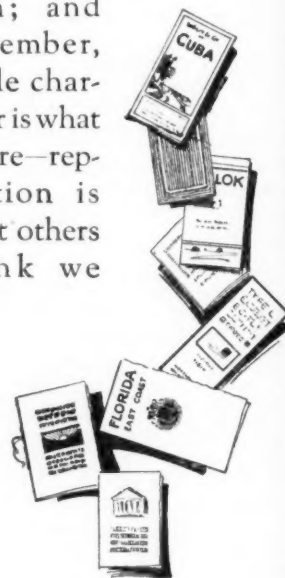


"The Mark of Quality"

## ASSOCIATION LENDS ENHANCEMENT

SURELY we print small things—and our organization and equipment for large things is utilized in producing quality in the small. An envelope enclosure should need no apology. In fact, frequently it closes an order.

"Quality" should be the motto for we are judged upon reputation; and remember, while character is what we are—reputation is what others think we are.



## THE MATTHEWS-NORTHROP WORKS

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merchant places his bank in funds with which to meet the bill and they in turn transfer it to the National City Bank. At maturity the holder of the draft presents it to the National City Bank and receives payment for the full face amount.

It will be noticed that the National City Bank was not using any of its funds during this whole transaction; in fact, it received a commission for extending its credit. Jones received payment for his automobiles as soon as they were shipped. The International Banking Corporation got its money back when it sold the bill to the National City Company, which in turn was reimbursed when the bill was sold to the investor. Also the Indian will probably have his automobiles before being called upon to pay his local bank, which in turn will transfer the funds received from him to the National City Bank.

Mr. Mathewson's book, which carries an introduction by William Walker Orr, former secretary of the American Trade Acceptance Council, offers practical and voluminous explanations of the principles and procedure of acceptances, with many specific examples such as the foregoing. It should prove a useful manual for the increasing number of American business men and bankers who are likely to need guidance and detailed counsel in the use of this form of credit.

#### Other Books Received

**RISK, UNCERTAINTY AND PROFIT**, by Frank Hyneman Knight, Houghton Mifflin Company, New York; one of the Hart Schaffner and Marx prize essays in economics.

**FINANCING AN ENTERPRISE**, by Hugh R. Conyngton, Ronald Press, New York; in three volumes.

**ELEMENTS OF BOND INVESTMENT**, by A. M. Sakolski, Ph.D., Ronald Press, New York.

**DOUBLE YOUR SAVINGS: It Can Be Done**, by Harvey A. Blodgett, Harvery Co., St. Paul.

**RED, WHITE AND BLUE MANUAL**, Vol. I, the Johns Hopkins Press, Baltimore; Citizens' Military Training Camp.

**SHOE AND LEATHER REPORTER ANNUAL**, Shoe and Leather Reporter Company, Boston.

**EIGHTH NATIONAL FOREIGN TRADE CONVENTION**, official proceedings of meeting at Cleveland, O., May 4-7, last.

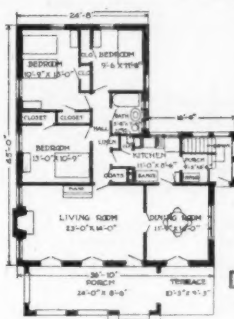
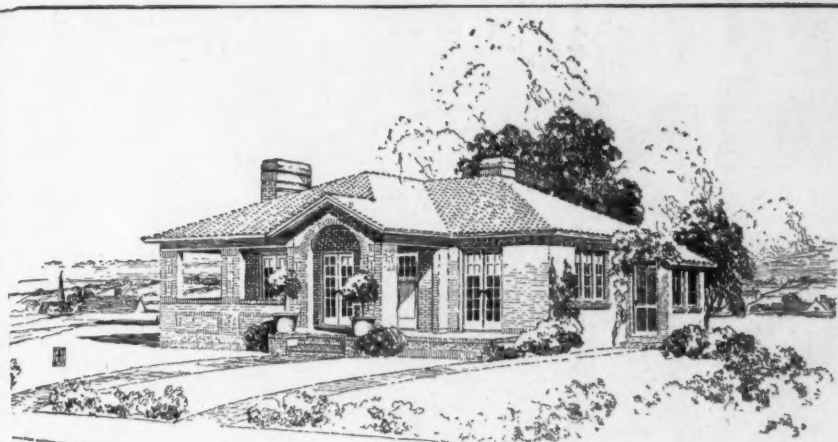
#### American Style, Made in Germany

**UNLIMITED** markets for American merchandise exist in the Near East, according to one observer, but only if the goods are suited to the market.

There is evidence that during the war the Germans did not lose their instinct for adaptability. A story comes from Egypt, for instance, about a brisk trade in "American" clothing for young men, among the natives. This clothing is made in Germany, in close imitation of certain American styles, having well-padded shoulders, slashed pockets, and "box pants," and is accompanied with shoes "having bumps on the toes." The effect seems to be enticing, and the garments are sold by a French firm in its best Parisian manner.

In Anatolia it appears that rubber overshoes are a necessity of life. A large American consignment remains unsold, according to one story, because the American variety has not the knob at the back which the Anatolian demands, in order that he may kick off his overshoes in his traditional fashion.

Our runabout automobiles and sedans do not afford room, it seems, for Turkish and Levantine prejudices. The owner of a car in those parts often has serious objections to riding in the same "enclosure" with the chauffeur, and he usually cannot himself drive so complicated a machine.



SEE PAGE 55



BUNGALOW DESIGN NO. 610

Designed for the Service Dept., American Face Brick Assn.

This six-room bungalow is one of the sixty-four designs in our "Face Brick Bungalow and Small House Plans." Note how it nestles close to the ground, its hospitable entrance, its pleasing roof lines, and its exceptionally compact, convenient interior arrangements.

## Face Brick for Bungalows

**F**OR beauty, for durability, and for economy, Face Brick is unequalled as a facing material for bungalows and small houses. The wide variety of colors and textures, and the artistic possibilities in bonding, mortar joints and panel work, give an infinite scope to the owner's individual taste.

Savings in repairs, in painting, in fuel costs and insurance rates, its long life and slow depreciation, make the Face Brick house the most economical you can build. You will find these matters fully discussed in "The Story of Brick," an artistic booklet with numerous illustrations and helpful information for all who intend to build. A copy will be sent free to prospective builders.

"Face Brick Bungalow and Small House Plans" are issued in four booklets, showing 3 to 4-room houses, 5-room houses, 6-room houses, and 7 to 8-room houses, in all sixty-four, each reversible with a different exterior design. These designs are unusual and distinctive, combined with convenient interiors and economical construction. The entire set for one dollar. Any one of the booklets, 25 cents, preferably in stamps.

We have the complete working drawings, specifications and masonry quantity estimates at nominal prices. Select from the booklets the designs you like best and order the plans even if you are not going to build now, for their study will be not only interesting and instructive, but helpful in forming your future plans for your home.

You may want "The Home of Beauty," fifty designs, mostly two stories, representing a wide variety of architectural styles and floor plans. Sent for 50 cents in stamps. We also distribute complete working drawings, specifications and quantity estimates for these houses at nominal prices.

Address, American Face Brick Association, 1130 Westminster Building, Chicago, Illinois.



## Electrification of Merchant Ships

**T**HIRTY YEARS AGO we had "horse cars," four story office buildings, oil and gas for lighting, factory power from a single steam engine, and the old "steamboat."

**T**ODAY we have electric street and interurban railways, electric locomotives, fifty-six story office buildings, individual motor driven factory machines, and we are electrifying ships.

**I**N THE NAVY there are already single vessels in service or building with electric power plants ranging from 6000 horsepower to 180,000 horsepower.

**W**HY are Merchant Ships being electrified? To save fuel, labor and time, both in port and at sea, thus placing the shipping industry on the same economic basis as are other modern American industries.

Foreign credit will soon be restored and the industry of Europe will be reconstructed. There will be use for a large American Merchant Marine. Ships that are idle, and too expensive to operate, can be made into profitable carriers by electrification.

*The success of the American Merchant Marine will depend largely upon its electrification.*

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There is a large corps of Westinghouse Engineers who have not only studied marine problems but have successfully applied electric apparatus to the needs of shipping.

For planning new ships or reconditioning old vessels to obtain better economy, Westinghouse Marine Engineering assistance is available on the following applications:

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Power Generating	Motors for Galley Appliances
Power Distribution and Control	Electric Heating Apparatus
Geared Turbines	Radio Equipment
Motors for Cargo Handling Machinery	

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# THE NATION'S BUSINESS

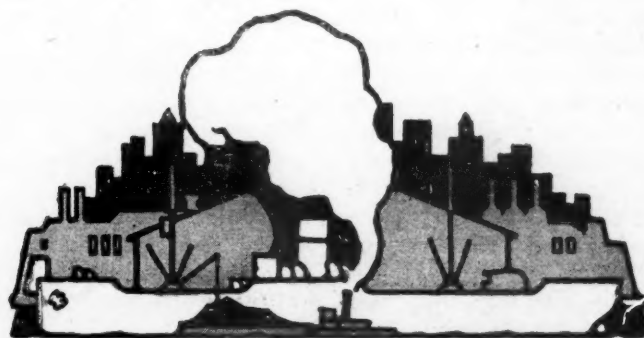


## European Problems Affecting American Business

This frank statement of a committee appointed by the United States Chamber of Commerce to study conditions of Continental Europe seemed so important as to warrant the unusual procedure of a special number. Its timeliness, too, appealed. In view of proposed and pending legislation, the approaching Conference on Limitation of Armament, and our own business situation, we felt it a duty to present it promptly to our subscribers.

The members of the Committee were: Joseph H. Defrees, President, Chamber of Commerce of the United States; John H. Fahey, former President, Chamber of Commerce of the United States, and Director of the International Chamber of Commerce; Silas H. Strawn, Chairman of the Board, Montgomery Ward & Co.; Robert P. Lamont, President, American Steel Foundries Co.; John J. O'Connor, Manager, Finance Department, Chamber of Commerce of the United States; and James H. Douglas, Jr., Secretary.

Volume IX



Number 11

Published by the Chamber of Commerce of the United States

# European Problems Affecting American Business

**Y**OUR Committee appointed to visit Continental Europe to observe present business and financial conditions respectfully submits the following:

Members of the Committee participated in the meetings of the International Chamber of Commerce held in London in June last, and there came in contact with business men and bankers from twenty countries. Subsequently, the committee visited Germany, Czechoslovakia, Austria, and France, and held conferences with government leaders, bankers, merchants, manufacturers, economists, and representatives of labor.

The time at the disposal of your Committee did not permit detailed investigations of economic conditions in the countries visited, but there was ample opportunity to obtain definite impressions as to the outstanding factors of the financial and business situation. It was most significant that in all of the countries there was little variance of opinion as to the conditions which dominate the world's business, the causes for these conditions, and as to what should be done to relieve the present depression and restore the more normal operations of commerce.

There is evidence on every hand that the world is now operating on a basis of less than half of the prewar standard, although a few industries are enjoying full or nearly full activity in some countries.

There are no dependable figures to measure the great decline in consumption, but European economists whose opinions are highly regarded declare that the consumption of three hundred million people has been reduced, on the average, to almost thirty per cent of what it was previous to the war.

There is a great need of raw materials, food, clothing, and all kinds of manufactured products. Millions of people want the commodities which others could supply. They are unable to buy because their money is so reduced in value that it has little buying power. Every purchase at the present high rates of exchange means payment at a price which is nearly prohibitive. This generally means the issue of more paper money and consequent further contraction of the already limited buying power.

Improvement of the situation and the restoration of buying power is not dependent entirely on the extension of credit by the countries wishing to sell. A certain amount of long-time credit may be utilized with safety. In general, however, a buyer in a country whose currency has seriously depreciated can not make purchases in the United States, and promise payment in dollars six months or a year hence, because it is wholly impossible to estimate what must be paid for those dollars when payment is due. Such a purchaser can assume the risk only when there is reasonable stability in the exchange of his country and conditions are such that he may have confidence in the future.

The currencies of the countries affected can not be very much improved or the exchange situation placed on a more dependable basis without aid in the form of loans which will strengthen the governments' fiscal positions and permit them to stop the issue of further paper money.

The credit and capital of the stronger nations, however, cannot be employed in amounts sufficient to overcome the present crisis without assurance of settled conditions.

In every country your Committee found unanimous agreement that confidence does not exist because peace is not established, although nearly three years have elapsed since the Armistice.

While marked progress has been made and there has been a surprising degree of improvement in some directions even in the last year, it is apparent that business in Europe has come

to a definite pause, and is not likely to resume the movement forward until the armed conflicts which still persist there are stopped and the menace of recurring warfare is removed.

Among the bankers and business men of every country visited, it is the general belief that the establishment of peace and restoration of confidence are impossible without the wholehearted cooperation of all allied, neutral, and former enemy countries.

Before the war the European countries transacted about two-thirds of the total international business. They purchased more than half of the exports of the United States.

In the resumption of normal economic life in Europe, there are so many questions with which the United States is concerned that it is almost impossible to say which are of the most importance. There are four subjects, however, to which your Committee believes our people must give greater attention. They are:

- I. The payment of the German reparations.
- II. The United States Army on the Rhine.
- III. The condition of Austria and Central Europe.
- IV. What may the United States do to aid in improvement of the general situation?

**P**RELIMINARY to a review of conditions found by the Committee, it may be helpful to refer briefly to a few well-known facts which should be kept in mind in considering the present relation of the United States to the rest of the world.

Omitting almost a billion dollars of accrued interest, the other nations owe the United States more than ten billions of dollars, made up roughly of the following amounts:

Great Britain .....	\$4,166,000,000	Greece .....	15,000,000
France .....	3,351,000,000	Estonia .....	14,000,000
Italy .....	1,648,000,000	Armenia .....	12,000,000
Belgium .....	375,000,000	Cuba .....	9,000,000
Russia .....	193,000,000	Finland .....	8,000,000
Poland .....	136,000,000	Latvia .....	5,000,000
Czechoslovakia ..	91,000,000	Lithuania .....	5,000,000
Serbia .....	51,000,000	Hungary .....	1,700,000
Roumania .....	36,000,000	Liberia .....	26,000
Austria .....	24,000,000		

This debt is being increased by accruing interest at the rate of about \$1,500,000 a day.

In addition, it is estimated that over \$3,000,000,000 is owed to our banks and business men by foreign countries and their citizens.

The foreign trade of the United States developed gradually to large proportions in the period before the war. During the five years prior to 1914 it amounted, on the average, to about \$4,000,000,000 a year.

In the fiscal year 1920 the value of our foreign trade was \$13,347,000,000, or over a billion dollars a month. In 1921 it dropped more than two billions of dollars to \$10,171,000,000, or 23.8 per cent. This loss was divided equally between imports and exports. Our exports dropped from \$8,109,000,000 in 1920 to \$6,516,000,000 in 1921, or 19.6 per cent, while our imports declined from \$5,238,000,000 in 1920 to \$3,654,000,000 in 1921, or 32.2 per cent. Lower prices are an important factor in the decreased value of our exports.

The products of our farms and mines represent about two-thirds of our exports. Cotton holds first place and wheat second.

For the year ending June 30, 1921, our export of wheat, including wheat flour (reduced to wheat equivalent), was 364,000,000 bushels and of rye 46,000,000 bushels. During the five fiscal years 1910 to 1914, inclusive, our export of cotton averaged 8,840,000 bales. In the year ending June 30, 1920, there were 7,870,000 bales exported, while in the year



ending June 30, 1921, there were but 5,623,000 bales, due to an accumulation of high priced cotton in Europe and to a lack of buying power.

Our exports of bacon, ham, shoulders and lard for the five years 1910 to 1914, inclusive, averaged 824,000,000 pounds; in 1920 the total was 1,665,000,000 pounds, while for the year ending June 30, 1921, the total was 1,400,000,000 pounds. Our exports of food products to Central Europe continue very large.

From the figures quoted respecting these few commodities we assume no member of the Chamber of Commerce of the United States will seriously consider the propositions that this country should isolate itself from Europe, our greatest market, or that the question of our foreign trade does not interest practically every business man, every farmer, and every worker in the United States. The development of our industries requires not simply that our foreign trade be maintained but that it be persistently expanded.

#### Payment of the German Reparations

THE problem involved in the payment of Reparations is one in which the United States, in common with all other important commercial nations, is greatly concerned.

As the United States has already declared, we believe that Germany should make good, to the utmost limit of her ability, the damage she has wrought. Certainly, the world could not acquiesce in a situation by which the nation which was the primary cause of so much suffering would escape the consequences of her aggression by paying a small part of the cost, while the greater portion is left as a burden upon the peoples she attacked.

It is inevitable that the people of Germany must accept the penalty and must endure privations for some years, in order to repair, so far as they may, the injury caused by the madness of the government they supported. There is evidence that many of the German people believe that she must pay to the full extent of her ability, for the damage done, and they realize they must, through hard work, contribute their share. It seems clear that the present government and its supporters are conscientiously trying to solve the problem and meet the required payments.

There is, however, an unfortunately large number of men representing industrial and financial interests who, believing that the bulk of these payments must come out of them, refuse to regard the settlement arrived at as final. They are strongly opposed to the payment of the sums fixed, insist upon the inability of Germany to pay, and campaign persistently against government leaders and all others in Germany who contend that the indemnity or anything like it must be paid. They are supported by the Monarchists and the Militarists, and while these groups are in the minority, they are powerful influences. If they should secure political ascendancy, even temporarily, and attempt to repudiate or evade the Reparations settlement, it is inevitable that a crisis will develop which will be a further menace to peace. The danger of such an occurrence requires that the United States and Allied Nations shall at all times present a solid front, and thus carry conviction that escape from reasonable demands will not be permitted. Unless these nations thus act in concert, France will be impelled, in self-defense, to use military pressure, as she has in the past.

Your Committee feels unable to express an opinion as to whether Germany can pay the amount of the indemnity fixed. It believes that only experience will demonstrate Germany's ability in this respect, and this must depend in a large degree upon the promptness with which the normal business of the world is restored, upon Germany's success in securing outside financial aid, and her capacity to put her fiscal affairs in order.

While there may be many differences of view as to the power of Germany to meet the indemnity, we have the opinion of some of the best of the German leaders that it can be paid and will be paid, if Germany is given a reasonable chance.

The terms of the Reparations settlement are sufficiently

elastic to permit of giving Germany full consideration in the event of difficulties, provided she sincerely tries to meet her obligations.

It is essential that Germany shall have a fair chance to produce and distribute, if she is to meet the necessary payments, and it is in the interest of all of the countries—Germany in common with the others—that the payment of the Reparations be so financed as to cause the minimum of dislocation of world commerce.

Your Committee questions whether the Reparations Commission, on which it believes the United States should be represented, has sufficiently broad powers to meet the situation. The Commission was organized to fix the indemnity and enforce its payment. The effect of such payments on international trade and finance was not realized sufficiently when the Commission was constituted.

Loans between the governments, in connection with reconstruction, seem no longer feasible. Therefore, financing in connection with Reparation bonds and payments becomes the problem of private business. Your Committee is of the opinion that an organization representative of the financial and business interests of the leading countries should be constituted to work continuously with the Reparations Commission in dealing with this and other great financial problems which must be met during the next ten years.

In the absence of international machinery designed to meet this need, and functioning with general support, business uncertainty will continue and it will remain impossible for bankers or business men to plan intelligently for the future.

On no country is the present foreign exchange situation reacting more harmfully than the United States, and none is more concerned in efforts to improve it and to deal with the problems involved in the Reparation payments.

#### The United States Army on the Rhine

THE Committee believes there is, in the United States, little appreciation of the importance to us, as well as to Europe, of the presence of our forces on the Rhine.

It should be remembered that under the terms of the Armistice, the Allied armies occupied the bank of the Rhine to prevent the renewal of war by Germany, to insure her disarmament and the payment of the indemnity. The United States assumed its part of this work in common with the armies of the other countries.

Our present forces on the Rhine number approximately 14,000 men. The French have 140,000, the Belgians 17,000, and the British 14,000 (less those sent to Upper Silesia).

The territory occupied by our forces is not extensive, but strategically it is very important. We are represented unofficially on the Rhineland High Commission, which controls the occupied territory. There are no better disciplined or more efficient forces in Europe than our soldiers on the Rhine. They are respected everywhere for their good nature and their self-control, and they reflect the highest credit on the United States Army and on our people.

It is natural that, following intense animosity aroused by the war, the area of direct contact between the late enemies should be one in which feeling runs high and friction is almost continuous. Influenced by less intense emotion than the people of the countries overrun by the Germans, our officers and soldiers have been a great harmonizing influence and have prevented many conflicts. They command confidence on all sides and the effect of their presence in the day-to-day work of maintaining order can hardly be over-estimated.

Although acting only informally and unofficially with the Rhineland High Commission, our able representatives, who have cooperated with the Commission in the adjustment of difficulties, have, nevertheless, exercised great influence for good. No decision of the Commission has been made except by unanimous agreement, and none reached which was inharmonious with the views of the American representatives.

If the United States Army is withdrawn in its entirety, the

important section it controls undoubtedly will have to be occupied by French troops. France would then be obliged to maintain forces along the entire length of the line, with the exception of the short sectors where the British and Belgians are in control. The feeling between the German and French peoples is intense. After long delays and many evasions by Germany, France forced upon that country the realization that she was prepared to occupy so much of Germany as was necessary to insure compliance with the disarmament provisions of the Peace Treaty, and the payment of the indemnity. French action has been vigorous, and it is apparent that during recent months the hatred which attaches particularly to the French Army has not diminished. If the American forces on the Rhine are now taken away and the French administration necessarily extended, a great modifying influence will be removed, and the possibilities of further trouble increased.

There are numerous German interests which desire American withdrawal, believing that it would indicate definite separation of the United States from cooperation with the Allies. These groups believe that the sentimental effect of such action would be of great importance to Germany.

On the other hand, the majority of the German leaders with whom your Committee met expressed the hope that the American Army would remain at least until more stable conditions were established in Europe. These leaders believe that, so far as Germany is concerned, the extra cost of American forces, as compared with the others, is of minor consequence in view of the value of their presence.

It has been suggested that our Army be removed entirely, while our representatives cooperating with the Rhineland High Commission remain, and that the value of our influence would thus be preserved. Your Committee does not agree with this view. The occupation of the Rhineland is military. The administration is military, and the influence of the United States is vastly greater because of the presence of our soldiers, and the respect for military forces which naturally exists in this territory following the war. If the area were occupied by Allied police instead of armed soldiers, it probably would be impossible to maintain order.

Our soldiers on the Rhine are well cared for and content, and satisfied to remain as long as our Government believes it necessary. Their number is being steadily reduced as the terms of service expire or men apply from time to time to return to the United States. Your Committee believes that the size of the forces might be still further reduced, but that we should continue to maintain a sufficient number of men to control properly the area assigned to us, until such progress has been made in the establishment of peace that we may withdraw with confidence that we will not soon be called upon to decide what attitude we shall take in another European war. To withdraw our Army until the outlook in Europe is clearer would be a very grave mistake.

#### Guarantees of Security

**T**HE conditions existing between France and Germany dominate the European situation. Similar conditions in Central Europe are of nearly equal importance. In Western Europe the French fear of future military aggression by a rehabilitated and revived Germany influences the whole problem.

There is practically no dissent in any of the European countries, among those who have given the subject most thought, from the belief that if Germany pays the indemnity fixed, or anything like it, she must again show great industrial strength, even greater than before the war. Her metallurgical plants and chemical industries must be developed further. Such a Germany with a population of over sixty million people will likewise be potentially a great military power.

The speed with which countries having large industries may be turned to the production of war material, and the almost unlimited possibilities of the chemical industry as a factor in modern warfare have been fully demonstrated.

It is pointed out that Germany has millions of soldiers who have returned to civil life. She has a larger number of trained fighting men than any other country. In the process of disarming Germany, since the signature of the treaty, great difficulty has been encountered in securing delivery of her arms and ammunition.

It is argued that the promptness with which Germany is able to place men in the field is demonstrated by the fact that, during the recent controversy respecting Upper Silesia, a force of more than fifty thousand men was assembled from nowhere in two weeks, fully equipped with machine guns, heavy artillery and airplanes.

Twice in fifty years France has been overrun by the German armies. The last war resulted in damage which Germany cannot make good and an appalling sacrifice of life.

Being now in a position to take measures for her own protection, France, with her population of thirty-eight million people, compared with her neighbor of over sixty million, does not propose to take chances on the future.

Either Germany must pay to France a substantial part of the damage she has caused, or France is economically crippled for generations. France intends that Germany shall pay. If France cannot at the same time, by some sound agreement among the nations, be assured against another German outbreak, French sentiment will strongly oppose retirement from the banks of the Rhine and will be tempted to encourage and promote the division of the separate states which now make up Germany.

France, in common with some of Germany's other neighbors, does not consider that there is a sound reason, in the interest of humanity, why the present German Republic should continue, when states within its borders do not value such solidarity. There is a strong opinion in countries bordering Germany that it would make for continuous peace in the world if Germany should be broken up and rendered impotent for military action in the future.

Among those who hold this view the conviction exists that the great nations of the world will be unable to get together for the firm establishment of peace and the assurance of security which France and some of the other European nations feel they must have for the future.

The earnest apprehension which exists in France concerning the danger of a restored Germany is apparent in every political group and among all classes of citizens. Similar fear exists in Poland and Czechoslovakia.

Believing there is yet no peace, but instead, recurring minor conflicts and constant danger of the resumption of large operations, France consequently feels obliged to carry an army of seven hundred and fifty thousand men. Czechoslovakia, with only fourteen million inhabitants, has a standing army of one hundred and fifty thousand men. (On a corresponding basis, the United States would have an army of nearly one million two hundred thousand.) It is estimated that Poland has under arms two hundred thousand soldiers. Hungary, Roumania, and Jugoslavia all have large armies. This military activity is in addition to that in Southeastern Europe where war between the Greeks and Turks still continues.

While the attainment of real peace in Central Europe and in turn in Russia, presents a great problem which must soon be solved if serious economic difficulties are to be overcome, there is no escape from the fact that the relation of the restoration of Germany to peace in Europe and security for France, and Germany's neighbors, is the question which must be met first.

The mines, industries and lands of northern France must be restored before that country can enjoy real prosperity. The enormous plants and the great skill of the industrial Germany which did business throughout the world before the war must also be utilized fully before commerce between the nations can resume its normal development. It does not seem possible for either to occur, however, unless there is peace



and some promise that military aggression by Germany or any other important state will be prevented in future so far as such prevention is humanly possible.

It is essential to Germany, in her own interests, that some plan shall be devised by which France and other European countries shall be given assurance of security in the future. Some of the most important leaders in Germany frankly declare that France should have such assurance. They were unable to suggest any acceptable guarantee which Germany herself could offer, but they expressed the hope that the other countries might soon agree upon some method of meeting the situation. German leaders believe that otherwise they must live and work for years in a state of constant friction with France and the ever-present possibility of French armies occupying more territory whenever difficulties arise.

The cost of the Armies of Occupation represents a large sum of money which, under the Treaty, Germany must pay in addition to indemnities. If this expense could be cut off or reduced to a minimum, it would help Germany greatly in making payment. It would render outside financial aid to Germany much easier than under present conditions. It would likewise be of assistance to France, since it would restore to productive effort thousands of her young men now in her army whose employment as a police force represents an enormous burden, and is a drag on the whole world. The possible removal of this burden, however, depends upon some effective plan for the maintenance of peace, on which the nations shall unite.

#### The German Situation

AS INDICATED, peace is as necessary to the economic restoration of Germany and the development of her power to pay proper indemnities as it is requisite to the recovery of France and her relief from intolerable military expenditures. Germany can not pay unless she produces at her full capacity and has opportunity to sell. She can not so produce without raw materials greatly in excess of the quantity she now obtains. It is practically impossible for her to procure the requisite raw materials, a large portion of which she must import from other countries where the exchange is against her by a wide margin, unless she can obtain credit and her government fiscal system is placed on a very much better basis.

Greater financial aid will not be extended to Germany by other countries in the measure necessary unless she can pursue her rehabilitation in peace and there is confidence that a secure central government will be maintained within the German Republic. If there is the constant possibility of breakdown and dismemberment of that state, it is next to impossible for Germany adequately to be financed.

German industries are at present operating on a basis of about one-half capacity. Some are working one hundred per cent and more, but the number whose operations are reduced is such as to bring the average down. There is, of course, considerable unemployment, but not enough under present conditions, and especially during the summer, to constitute a social and political menace. The number of men out of work seems small compared with the United States and England, but this is accounted for by the fact that in many industries there is a scheme of part-time employment and a shift system is enforced. In some lines the number of excess employees is very large. To handle greatly reduced traffic, the railways which are operated by the government carry three and one-half times the number of employees used before the war. In other government services the ratio is reported as four to one compared with the prewar period. The explanation made for this condition is that most of the men are demobilized soldiers and that if they were not employed in some way they would have to be maintained in idleness by the government.

The wages of German workers measured in dollars are very low. It is a great mistake, however, from the domestic standpoint, to consider wages in any European country with depreciated currency, except on the basis of its own money.

German workers are being paid very high wages in marks and they still regard this paper money with much of the respect they had for the old mark. Many of them fondly look forward to the time when the mark will be rated at its prewar value while they will continue to receive almost as many marks as they do now.

While operating within her own boundaries on the basis of paper marks and selling abroad in gold gives Germany some advantage in export trade, the great reduction in wages which must come when the mark rises substantially in value will bring to Germany many difficulties.

The wages paid German workers at present, even on the paper basis, are sufficient to give them a fair standard of living, although very much lower than they enjoyed before the war. During the war, and immediately afterward, the German standard represented but the bare means for maintaining life. Indeed, at times it was close to starvation. The contrast of present conditions, when the workers are able to get a reasonable amount of food, is such that they are fairly well satisfied. Their condition is so much better than that of the middle classes,—salaried employees and those dependent upon pensions or an income from savings or inheritance,—that the workers consider themselves fortunate. It is probable, therefore, that for some time to come German labor is likely to be satisfied with what appears to the outside world to be an amazingly low wage and standard of living. At present the wages in Germany permit her to produce the goods she manufactures at very low costs and to sell in the markets of the world on a basis with which few countries can compete.

This condition must change as Germany extends her foreign trade. The more she sells abroad for dollars, the more her mark must appreciate in value and her prices on the dollar basis increase.

Again, it is contended by those who have studied the situation closely, that when the new taxes become effective before the end of this year, taxes which are largely necessary to meet the indemnity, manufacturing costs must rise and the great disparity in prices which the Germans can offer in competition with other countries will be reduced.

Meanwhile the cost of living continues high in Germany,—in July prices were higher than at any time in a year,—and this may be expected to increase wage costs still further in many directions.

If the German government is not soon able to secure the financial aid necessary to strengthen her monetary system, her progress toward larger operations must be slow and the purchase of raw materials from other countries must continue to be in small quantities. This process will affect her ability to pay indemnities and inevitably carry the threat of recurring crisis, with political possibilities which can not be forecast. At the same time, if large unemployment should occur during a severe winter, internal social disturbances can hardly be avoided.

Germany must rebuild her foreign trade to pay the Reparations. This is necessary quite aside from payments to France in the form of building materials, machinery, and other commodities for the restoration of the devastated regions.

France fully realizes today the need of receiving a substantial part of the payment due her in the form of goods, and, notwithstanding reports to the contrary, your Committee is convinced that the French people now understand the practical common sense of this method of payment and largely are reconciled to it. It is true that some interests in France fear the effect on their own business of payment in kind by Germany; nevertheless the demand by the people of northern France that the devastated regions shall be restored without delay is quite evident and can not be repressed.

At present, along the Rhine, the Allies are requiring licenses for and imposing customs duties on all business passing into or out of the occupied area. These penalties were exacted last Spring when Germany failed to pay obligations due under the Reparations decision. The customs collected are paid to the Reparations Commission and credited against the German indemnity.

Since Germany has now agreed to the Reparations settlement

there seems no longer adequate reason for the continuance of these sanctions. The system, as operated, presents the objections of troublesome interference, restriction of German ability to work and pay and likewise a waste of money because of the unnecessary employment of many officials. The operation of these sanctions is the cause of almost daily trouble, which serves to over-emphasize the strained relations between the German people and the French.

At the meeting of the Supreme Council held in Paris in August it was agreed, at the suggestion of France, that steps should be taken for the early abandonment of the present sanctions on the Rhine, and it is therefore to be hoped that this troublesome matter will be settled before the end of the year.

Your Committee is convinced that France, notwithstanding assertions to the contrary, is anxious to remove every possibility of future trouble, but the problem always resolves itself into the need of positive assurance against another attack and of payment by Germany for the damage she has wrought.

Other European countries which normally represent a large demand for goods may resume the process of rebuilding and may gradually develop trade, but until the situation which now afflicts France and Germany is cured, improvements in other directions are of no great avail.

Russia, for example, may soon be reopened and reconstruction commenced there. In any event, there will be a considerable demand on other countries for raw materials and manufactured products, but the best information available indicates that Russia's recovery will be slow. The breakdown of the Russian transportation system is such that a long time will be required before facilities are available in Russia for the movement into that country of necessary supplies or the exportation of Russian commodities in exchange. Moreover, serious as the risks are in the more stable countries of Central Europe and in Germany, in undertaking financial and business enterprises, they are infinitely greater in Russia.

The capital and credit of other countries are not likely to be placed at the disposal of Russia until there is evidence of protection and safety.

If Russia could be restored promptly to production it would aid in the recovery of Germany, but this alone would not give stability to German conditions.

#### Central Europe and Czechoslovakia

**T**HE conditions of uncertainty and insecurity in the more important countries of Central Europe are still bad.

Your Committee was unable to visit Poland, but accurate information as to the situation there is available in every European capital.

In the United States, remote from the scene, it is difficult to realize the far-reaching effect of the conflict over the division of Upper Silesia, as well as the fear of Russia and Germany which exists in Poland.

Polish currency is greatly depreciated. The country is struggling to maintain an army of abnormal size. Her internal political condition is precarious and she is constantly engaged in quarrels with her neighbors over trade relations with them. Between Poland and the other states of Central Europe, as well as between these separate states themselves, there is a condition of confusion about transportation, tariffs, and embargoes at frontiers which constitutes a serious bar to free commerce and holds back the reconstruction of the countries affected.

This situation is due to the same lack of confidence that exists in Western Europe, the fear of more war and inability to reform the government financial systems of the countries involved.

The settlement of the Upper Silesian problem should bring considerable relief, but this represents only one feature of the situation. There are scores of lesser adjustments which are essential before these countries can trade with each other efficiently and live together as peaceful neighbors.

With fertile fields and large and efficient industries, Czechoslovakia is easily one of the most promising states of Central Europe. Nearly seventy per cent of all the industry of the old Austrian Empire is within the boundaries of Czechoslovakia,

and most of the coal and raw materials produced in the former Empire are located in the new Czech State. The fourteen million people of this country are energetic, ambitious, intelligent and enterprising. They are showing commendable capacity for self-government, but the country is nevertheless confronted with many difficulties.

The manufacturing power of Czechoslovakia is such that she can supply the wants of her own people for such goods as she produces by operating her plants to the extent of forty per cent of their capacity. To enjoy full prosperity, she must export fifty to sixty per cent of her possible output.

Before the war, the market for the steadily increasing output of Czechoslovakian factories was primarily in the rest of the Dual Monarchy, *i. e.*, Hungary and Austria, where this output was protected from competition by tariffs. She sold the balance of her production largely in Roumania, Jugoslavia, and the adjoining territory. In this area she had the advantage of proximity and the facilities of Vienna as a great centrally located market in which the people of these countries did most of their buying.

Vienna supplied bank facilities, convenient transportation, and a thorough knowledge of the languages, needs and credit standing of buyers throughout this great territory. A large part of the prewar business of Czechoslovakia was transacted through Vienna and the ownership of most of her industries was in Vienna.

With the constitution of the new state and confidence in her new-found strength and power, Czechoslovakia endeavored to transfer the handling of most of this business to her own borders and to center it at Prague. With the disturbed conditions which existed all about her, she felt obliged to keep a large part of her coal which formerly went to Austria and Hungary.

With transportation chaotic, she feared to permit her freight or passenger cars to go beyond her borders. Up to the present time she has believed it necessary to stop all trains at her frontiers and there transfer goods and passengers to Austrian trains and those of other neighboring countries.

This practice has led to great confusion, delay, and loss as well as continued quarrels. The authorities of Czechoslovakia point out, however, that when they attempted to overcome these difficulties by permitting their rolling stock to go into new Austria and other states it seldom returned because of the imperative needs of her neighbors. Such cars as were sent back, whenever an exchange took place, were usually out of repair and less valuable than the railway equipment of Czechoslovakia, which is in fairly good condition. The result of these incidents is a high state of mutual suspicion and a constant tendency toward reprisals.

No definite commercial treaties between the Central European countries have yet been worked out. There are temporary agreements for brief periods, which are a frequent cause of difficulty because of allegations that they are not faithfully kept. It is undoubtedly true that in some instances economic conditions do not permit of their being carried out. One country will agree with another to deliver certain quantities of foodstuffs or raw materials in exchange for commodities of another character from a second state. One of the nations will make deliveries in whole or in part, while the other fails to do so. Frequently this failure is due to causes beyond control, but this fact does not help the situation materially.

Austria is undoubtedly more largely the victim of these circumstances than any other country in the group, but they all suffer in a considerable degree. The result is that the business of all of them is far below what it ought to be, and the condition constitutes a grave handicap to their financial and economical recovery.

Czechoslovakia is operating to about forty per cent of her capacity. She has large modern textile plants, for example, which normally purchase cotton in the United States. She could sell substantially all of her cotton and woolen textile output in neighboring states if she could buy the raw material needed and there were such stability as would permit the extension of adequate credit to her customers. Such credit could not be made available without the application of some sound



plan of financing which would help the entire area, and the success of such a plan is clearly dependent upon the establishment of peace and tranquillity in this section.

These conditions can hardly be secured without the aid and cooperation of the more powerful nations, which should be inclined to help in their own interests, because the territory represents an important market for raw materials and manufactures. These states not only desire aid of this character, but they are eager that it should be made available soon. They believe that their future largely depends upon it.

#### The Austrian Problem

AUSTRIA is the crux of the Central European problem and the large question it presents practically revolves about Vienna. Here is a city of two million, one of the finest capitals of the world, which was the center of operations for an empire of forty million people.

Austria now has within her new borders approximately six and one-half million, practically cut off from free trading relations with her neighbors and no longer the recognized clearing house for their business. A city of the size of Vienna cannot be maintained easily as a going concern by so small a national population. Austria does not raise food enough to live on. She must import coal as well as a large part of the other raw materials she needs. With tariffs and embargoes on every side, the restriction of her business is obvious. Further burdened with thousands of refugees from the east, only charity from the United States and elsewhere has kept her population alive.

In the face of these vicissitudes, her improvement during the past year has been remarkable. The country is now enjoying a certain hectic activity, which is greatly influenced by the low state of her money and the bargains which the country offers to foreign buyers. The contrast of the present scale of living, although low, to that which the country suffered so long is such that her workers are reasonably satisfied.

Communism has disappeared and the present government, in spite of its many difficulties, is functioning with a considerable degree of satisfaction to its people. All of the rival political parties have joined in support of the present ministry.

The most serious problem the municipality of Vienna has to deal with is that affecting nearly half a million people of the middle classes, formerly government officials, pensioners, small professional people, and tradesmen, as well as those who before the war lived on small incomes from investments. There is no need for the large official group maintained in government departments on a scale necessary to care for the affairs of forty million people. The crown has so depreciated in value that its purchasing power permits these people barely to exist. As in Germany the workers whose wages have increased are far better off than the people of this class.

The workers realize this fact and are fairly content with their lot, although a large number of them are working on a part-time basis. Under laws passed some time ago the industries are not permitted to discharge employees freely. Many of them are carrying an abnormal number of employees. The wage is so low, however, in comparison to that of more fortunate countries, that this expense is not as serious as it might appear to be, and the costs of manufacturing in Austria are low almost beyond comprehension.

Little by little the very small factories employing workers in highly skilled trades are finding themselves and increasing their output. The results of their handiwork are of such artistic value and the prices so low that the foreign demand is good.

Superficially, conditions in Vienna appear to be much better than they really are. It is not until one finds that four hundred thousand children and other dependents are still being fed daily through charity that the real situation becomes apparent.

There is reason to believe that even with its restricted territory Austria can, and will, recover and be able to maintain a life of some promise for its people, if it receives essential aid from outside in strengthening its finances and restoring its currency. A prerequisite to its future is the establishment of something like prewar relations with its neighbors.

Vienna has many advantages as a trade center for Central Europe and is so placed in relation to the transportation system

that it can conduct a substantial part of the business with less expense and greater efficiency than any other nearby center. The countries contiguous to it are at last coming to realize this, and a constructive plan might be carried forward with the aid of the more powerful nations which would promise a satisfactory solution of the problem of Vienna and Austria.

Next to the restoration of peace and cooperation in the western part of the Continent, comes the necessity for the establishment of like conditions in Central Europe. One reacts on the other to such an extent that they are almost inseparable.

#### Austrian Indebtedness and the United States

THE financial situation in Austria is most difficult. It has been the subject of study on the part of an international commission constituted as a result of the International Financial Conference, held in Brussels in the Fall of 1920. This commission evolved a plan for improving the situation, which contemplates relief for the Austrian government by a loan and by reform of its fiscal system.

The conditions have been accepted by the Austrian government, and immediate help to the extent of some \$20,000,000, with additional funds in prospect, has been pledged, dependent upon agreement by the countries holding obligations of the Austrian government to defer payment of their claims for a reasonable period.

All of the countries involved, except Italy and the United States, have agreed to deferment. Italy, it is understood, has agreed to postpone her claim if the United States takes similar action. Only the approval of the United States is necessary, therefore, to make this scheme operative and give to Austria the relief required to enable her to buy food for her people to carry them through the coming winter.

The debt of Austria to the United States is in the form of obligations to the United States Grain Corporation, incurred for foodstuffs. At present no official of the United States has authority to defer this payment, but such authority is contemplated in legislation now pending in Congress. The whole program, in so far as Austria is concerned, has been delayed for some months because the United States has not acted.

#### The Responsibility of the United States

TODAY the world's business has apparently reached a dead center. It may move forward from the present point by slow, painful and uncertain steps with the result that the process of reconstruction will extend over many years. How long such movement would continue, it is impossible to forecast. No one was able to approximate the length of the most destructive war in history, and no one is wise enough to foresee how long the present condition of doubt and insecurity with its inevitable suffering and social disturbances may last.

Only by gaining the confidence of investors can the credit and capital necessary to insure normal business in the world be mobilized and used. Only the free exchange of commodities between the countries in increasing volume can bring normal life to the people and the conditions they knew before the war.

The United States is regarded as the most powerful country in the world, commercially and financially. Its reputation for integrity and fair dealing is well established. In every country your Committee visited and in almost every conference in which it participated, irrespective of the occupation, official position or social status of the persons met, the opinion was expressed that neither Western nor Central Europe can be restored to a condition which promises hope and progress for the future without our active assistance.

Possessing as it does great quantities of raw material and manufactures which it wishes to exchange with other nations, the interest of the United States in accelerating a return to world prosperity is vital.

The fact is not debatable that after the part we have taken in the late war we cannot refrain from actively participating in the settlement of the economic and financial difficulties now confronting the world.

Every country desires our friendship and assistance, and it is apparent we can participate in the restoration of commerce and industrial productivity on any reasonable and consistent

terms, either by modification of the Versailles treaty to meet the policies of the United States, or independently of it.

Doubtless it was the realization of our moral as well as of our financial and commercial responsibility in relieving the world's depressed condition that caused the President to call the proposed conference in Washington to consider the reduction of armaments.

Any student of world affairs cannot escape the conclusion that each of the nations, including the United States, cannot continue to expend so large a part of its entire revenue, derived from taxation which is now almost unbearable, in preparation for future war, if the present civilization is to continue. To peace and to the restoration of the world's economic balance we must give our attention.

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The Detroit man tells where he thinks the American Railroads have fallen down and what he'd do to put them right.

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"Economic questions of the Far East must precede discussion of armament at Washington next month." What, why, and wherefore? How does our old friend, the Open Door, hold up the procession, and what does it mean to a Boston department store manager or a Des Moines manufacturer? Silas Bent tells.

### **The Money Committee and the Stock Exchange**

Unknown to the public, a money committee in New York exercised vast power during and after the World War. At one time it supplied funds to the Stock Exchange to avert a panic. At another time it strongly withheld them to avoid an orgy of speculation,—this all, however, without warrant by law. It staved off skyrocketing prices until the public demanded that the unseen control be relaxed. The story is told for the first time in the November number.

### **Raincoats For Rainless Chile**

Charles Lyon Chandler, of the Corn Exchange National Bank of Philadelphia, points out some of the danger spots in the path of the American exporter. It is not all criticism. It will be followed by some of the inspiring stories of American exporters who have overcome great obstacles.

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The story of the enormous importance of the work of the business scientists—the time and the dollars that are being saved by research work.

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According to Senator King of Utah, class legislation today, sponsored by legislative "bloes," threatens the very foundation of the American republic. He will discuss the perils of measures designed to benefit special interests.

### **The Other Side of the Trade Association**

Who stands between you and the crooked tire dealer?—The trade association. That is one of the hundreds of helpful activities of the trade associations. For months they have been pilloried in the public press as law breakers and price fixers. Here's the other side.

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